

ETERNAL RAMIFICATIONS OF THE WAR OF THE PACIFIC

By

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by

Daniel Arthur McCray

To my wife Karyne

## ACKNOWLEDGMENTS

I would like to take time here to express the deepest gratitude to those who aided me in the completion of this project. First and foremost I would like to thank my wife, Karyne. Without her love, encouragement, and assistance, this project could not have been completed. I would like to thank my supervisory committee chair (Dr. Terry McCoy) for his guidance, insight, and time. I would also like to thank the other members of my committee (Dr. Menno Vellinga and Dr. Philip Williams) for their encouragement and patience. I could not have completed this project without their help. I would also like to thank the United States Army for affording me this immense opportunity. It must also be said that the views expressed in this work are mine alone and in no way reflect the official position of the United States Army or the Department of Defense. Of course, any errors or misrepresentations presented here are exclusively mine as well.

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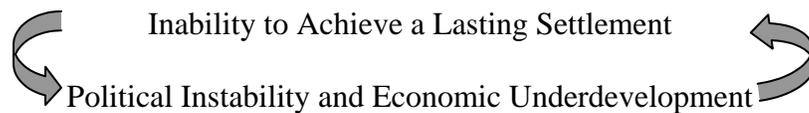
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Today, as one of only two Latin American countries without direct access to the sea (Paraguay is the other), Bolivia can only conduct its international trade through the Pacific and Atlantic seaports of neighboring countries. Bolivia has indirect access to the Pacific and Atlantic Oceans via Chile, Peru, Paraguay, and Brazil. Its exports and imports go through the Chilean ports of Antofagasta and Arica on the Pacific Coast. Maritime trade is also possible through the Peruvian ports of Ilo, Mollendo, Tacna and Matarani; and via the Brazilian ports of Belem and Santos. Despite these neighborly “gestures,” territorial rights to the sea have continued to preoccupy Bolivian administrations. Even so, Bolivian governments of every stripe—military, conservative, and populist—have all failed to sustain diplomatic advances on the seacoast question. The loss of the coast became a national stigma, which Bolivian administrations have used from time to time to arouse patriotic fervor and hence support for their administrations. In addition, the loss of the coast has propelled Bolivia to war, embittered its regional diplomacy, and dominated its foreign policy.

Thus, the central questions of my study were:

- Why does the “question of the Pacific” remain unanswered?
- What have been the effects of non-resolution on Bolivia?

It is clear that the loss of the Pacific Coast provinces in War of the Pacific has hampered Bolivia’s economic development and intensified containment. In his book, “A Political Geography of Latin America,” Barton concludes, “it would not be too bold of a statement to link the impoverished nature of Bolivia’s economy to her landlocked status” (1997: 65). Alternately, Morales suggests “Astronomical national debts, extreme political instability, and intervention in Bolivian affairs complicate the development and protection of national resources as well as its diplomatic mission of securing a sovereign seacoast” (Ferris, 1984: 189). Essentially, both authors are correct in their conclusions. My hypothesis is that Bolivia’s inability to successfully reverse its landlocked status contributed to its economic underdevelopment and fostered domestic political instability. In addition, the unstable government and economic problems of Bolivia prevent it from achieving its central diplomatic goal: obtaining a sovereign port on the Pacific Ocean. Thus the seacoast conundrum indeed creates a vicious cycle of events.



Using historic reference, I explored this vicious-cycle theory to explain why Bolivia remains landlocked, more than a century after the War of the Pacific left it without access to the sea

## CHAPTER 1 INTRODUCTION

Wednesday October 20, 2004 marked the 100<sup>th</sup> anniversary of the peace and friendship treaty that established the territorial limits between Bolivia and Chile after the War of the Pacific (1879-1884). By this treaty, Chile retained approximately 62,000 sq mi of territory belonging to Bolivia (including 187 miles of shore, four main ports, and seven coves.) Thus, the stroke of a pen confirmed that Bolivia lost a fourth of its territory and became the landlocked nation it is today. Bolivia has been on a relentless quest to regain sea access ever since.

A dispute over the export of Bolivian natural gas arose in early 2002, when the administration of President Jorge Quiroga (2001-2002) proposed building a gas pipeline through the Chilean port of Mejillones, Bolivia's most direct route to the Pacific Ocean. However, hostility toward Chile runs deep in Bolivia, because Chile occupied and then annexed Mejillones in the War of the Pacific. As a result, many Bolivians protested that the pipeline should be routed north through the Peruvian port of Ilo, even though it is 260 kilometers farther than Mejillones from the gas fields. President Quiroga, on leaving the presidential office in July 2002, refrained from making a decision on this highly contentious issue and left the matter for his successor Gonzalo Sanchez de Lozada (2002-2003). Before taking office, President Sanchez de Lozada implied that he supported the Mejillones option; however, he made no official declaration of intent.

On September 19, 2003, a group of 30,000 people in Cochabamba and 50,000 in La Paz gathered to protest against the pipeline. The next day, six people were killed in a

confrontation in the town of Warisata, after government forces used planes and helicopters to get around the strikers, and to evacuate several hundred tourists who had been stranded for 5 days in Sorata (by road blockades). In response to the shootings, Bolivia's Labor Union (COB) called a general strike on September 29 that paralyzed the country with road blockades. Demonstrators insisted that they would continue to display their dissatisfaction until the government backed down on its decision to export Bolivia's natural gas through Chile.

On October 12, 2003, martial law was imposed in El Alto, after sixteen people were killed and several dozen were wounded in violent clashes that erupted between the protesters and Bolivian armed forces. On October 13, the administration of Sanchez de Lozada suspended the gas project. Nevertheless, Vice President Carlos Mesa condemned what he referred to as the excessive force used in El Alto; and withdrew his support for the president. A few days later, on October 18, the administration was destabilized when the New Republic Force (NFR) party withdrew its support. President Sanchez de Lozada was forced to resign and was replaced by his vice president, Carlos Mesa. As a result, all protests ceased. Among his first actions as president, Mesa promised a referendum on the gas issue. The gas referendum took place on July 18, 2004.

The Bolivian Gas War of 2003 is one example of the political instability that has been endemic to the Republic of Bolivia. It is clear that the gas war has roots that run deeper than natural gas. The dispute traces back more than 100 years to when the port of Mejillones was under the sovereignty of Bolivia. The outcome of the dispute sent a clear message to the world. Bolivian citizens are outraged that they still do not possess a sovereign maritime port, and are willing to go to great lengths to obtain one. Hence

begins my inquiry into the causes that have prevented a settlement and left the “question of the Pacific” unanswered.

### **Brief Overview**

Early in 1878, the dictatorial Bolivian government of President Hilarion Daza (1876-79) violated the treaty signed by President Mariano Melgarejo (1864-71) in 1866 that imposed a 10-cent tax on nitrates exported from the Bolivian part of the joint mineral exploitation zone. The British-Chilean Antofagasta Nitrate and Railroad Company (ANRC) categorically refused to pay this tax. As a consequence, the Daza government ordered the seizure of the company’s property, to recover the amount of the tax. As a result of this dispute, Chilean naval forces seized and occupied the port of Antofagasta on February 14, 1879; thus commencing the War of the Pacific. Peru, failing at attempts to mediate, entered the conflict on the side of Bolivia, as had been agreed in their treaty of defensive alliance (signed in 1873). The war proved disastrous for both of the allies. By the end of 1879, all of Bolivia’s coastal areas were firmly in Chilean hands. Chilean troops pushed north to occupy the Peruvian port of Arica; and continued further north until they entered the Peruvian capital of Lima, in January 1881.

The war concluded when Peru signed the Treaty of Ancon with Chile in 1883. However, the final settlement of the Peruvian-Chilean border, as provided for by the Treaty of Ancon, did not take place until 1929. Bolivia signed a truce with Chile in 1884, and a definite peace was achieved in 1904. In this treaty, Bolivia lost an entire province, which covered approximately 62,000 sq mi. In addition, Bolivia was deprived of important fiscal revenue and valuable natural resources. Worst of all, Chile took over its littoral zone, which included 187 miles of shore, four main ports, and seven coves

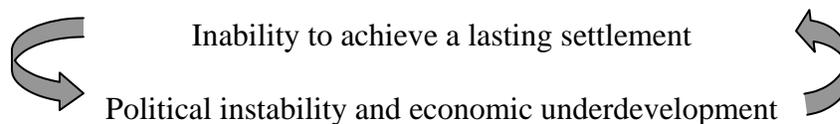
(Gumucio Granier, 1988: 69). Thus, with the stroke of a pen, Bolivia lost a fourth of its territory and became the landlocked nation it is today.

For more than 100 years, Bolivians have waged a relentless campaign to reverse their maritime confinement and redress the defeats of their history. The “question of the Pacific,” as Bolivia’s lack of a seaport is termed, has been a factor in Bolivian politics since the end of the War of the Pacific. The Bolivian government consistently continues to demand access to the Pacific Ocean free from any real or potential interference by another state.

### **Significance**

Today, as one of only two Latin American countries without direct access to the sea (Paraguay is the other), Bolivia can only conduct its international trade through the Pacific and Atlantic seaports of neighboring countries. Bolivia has indirect access to the Pacific and Atlantic Oceans via Chile, Peru, Paraguay, and Brazil. Its exports and imports go through the Chilean ports of Antofagasta and Arica on the Pacific Coast. Maritime trade is also possible through the Peruvian ports of Ilo, Mollendo, Tacna, and Matarani (via the Brazilian ports of Belem and Santos). Despite these neighborly “gestures,” territorial rights to the sea have continued to preoccupy Bolivian administrations. Even so, Bolivian governments of every stripe (military, conservative, and populist) have all failed to sustain diplomatic advances on the seacoast question. The loss of the coast became a national stigma, which Bolivian administrations have used from time to time to arouse patriotic fervor and hence support for their administrations. In addition, the loss of the coast has propelled Bolivia to war, embittered its regional diplomacy, and dominated its foreign policy.

Thus, the central questions of my study were 1) Why does the “question of the Pacific” remain unanswered? 2) What have been the effects of non resolution on Bolivia? It is clear that the loss of the Pacific Coast province in War of the Pacific hampered Bolivia’s economic development and intensified containment. In his book, “A Political Geography of Latin America,” Barton concluded, “it would not be too bold of a statement to link the impoverished nature of Bolivia’s economy to her landlocked status” (1997: 65). Alternately, Morales suggested “Astronomical national debts, extreme political instability, and intervention in Bolivian affairs complicate the development and protection of national resources as well as its diplomatic mission of securing a sovereign seacoast” (Ferris and Lincoln, 1984: 189). Essentially, both authors are correct in their conclusions. My hypothesis is that Bolivia’s inability to successfully reverse its landlocked status led to its economic underdevelopment, and fostered domestic political instability. In addition, the unstable government and economic problems of Bolivia prevent it from achieving its central diplomatic goal: obtaining a sovereign port on the Pacific Ocean. Thus the seacoast conundrum indeed creates a vicious cycle of events.



### **Literature Review**

The literature on this topic is grouped in four categories: geography, history of the War of the Pacific, political instability, and economic underdevelopment. Some authors, however, have produced literature that can be placed in several of these categories. I relied heavily on sources from North American writers (since I recognized that literature published by ministries, historians, or geographers from either of the involved nations tended to be partial). However, the information gathered from this literature provided me

with an extremely useful nationalistic point of view. This literature also provided detailed descriptions of events and places. I used these valuable sources in an illustrative capacity.

The literature that I placed in the “geography” category is limited yet very useful. A physical description of the disputed Atacama Desert Region was provided by Isaiah Bowman (1924) and supplemented by William Rudolph (1963). In addition, a variety of authors that I consulted for geographical background are experts in the field of geopolitics. Geopolitics has been an important dimension in the Bolivian struggle for political and economic sovereignty. Thus, the expertise of such authors as Jonathan R. Barton (1997), and Jack Child (1985), was sought.

Bruce Farcau (2000), William Jefferson Dennis (1967), William F. Sater (1986), and Robert D. Talbott (1974) are the most significant authorities on the causes and immediate consequences of the War of the Pacific. Therefore, they contributed greatly to this effort. Their works are straightforward in their presentations of the history and issues surrounding the War of the Pacific. Their documents provided essential material, which enabled me to compose an accurate historical synthesis of the war

The literature on the politically unstable nature of Bolivia is extensive and varied. Authors such as Waltraud Q. Morales and Herbert S. Klein have authored thorough yet concise books on the history of Bolivia. Others have been more specific and have dealt with explicit instances of political instability within Bolivia over the course of the past century such as the Chaco War, the Bolivian National Revolution, military authoritarianism, and ultimately, the current gas war.

Bruce Farcau (1996) and David H. Zook (1961) have produced the best and most impartial survey on the conduct and ramifications of the Chaco War between Bolivia and Paraguay. Authors such as Robert J. Alexander (1958) and Christopher Mitchell (1977) have provided crucial and important information on the political state of affairs during the Bolivian National Revolution, which persisted from 1952 to 1964. What followed the revolution was eighteen years of military authoritarianism (1964-1982). The precarious political situation occurring during the rule of military leaders is explored in the works of several authors; influential pieces by Waltraud Q. Morales (1992), Herbert S. Klein (1969), and Christopher Mitchell (1977), however, proved to be the most significant. News headlines from publications such as Latin News Daily, Inter-American Dialogue, and the Santiago Times among others were consulted in an effort to ascertain the current political situation of Bolivia.

The literature on the economic underdevelopment of Bolivia is less varied and extensive than on the topic of political instability. However, several authors stood out and provided extensive data on Bolivia's situation over the course of the last century. Author Carmenza Gallo's (1991) work provides information on the economically unstable nature of Bolivia. His study spans from 1900 to 1950. Continuing the trend, Cornelius H. Zondag (1966) authored a similar book, which evaluates the Bolivian economy from 1952 to 1965 and essentially examines the economic circumstances created by the Revolution and its aftermath. Statistical information on the economic situation was also sought and consulted from organizations such as the US Agency for International Development (USAID), the United Nations (UN), the Organization of American States (OAS), and the International Monetary Fund (IMF) among others.

## Objectives

To a considerable degree, my approach to this thesis will be a historical one since it is really impossible to understand the current state of affairs without comprehension of the historical background. Drawing on history, the basic goal will be to explain my main hypothesis: political instability and economic underdevelopment have contributed to the lack of a positive resolution to Bolivia's maritime confinement and vice-versa. This has precipitated a vicious circle where the lack of a positive resolution on the seacoast issue has led to political instability, which consequently contributes to economic underdevelopment. My discussion of these issues, for the most part, is organized chronologically from the colonial period of the Spanish Conquistadors to the present day situation. Logic almost dictated this format because in order to answer the basic question: Why is Bolivia still without access to the sea? It is necessary to chronologically evaluate the political and economic situation of the nation over the course of the last century.

This thesis has four main objectives. The first objective is to describe the geography of the Atacama Desert, which will provide the reader with a geographical sketch of the desert and a description of the valuable natural resources that were discovered and exploited in the Atacama region, which served as the impetus to war. The second objective is to clearly delineate the boundary dispute and answer the question of how Bolivia was deprived of her access to the Pacific Coast. In order to answer this question, I will provide historical background on the War of the Pacific and its outcome. The third objective is to examine the consequences of Bolivia's maritime confinement on its politics and economic development. The fourth objective is to determine why Bolivia's attempts at regaining her Pacific Coast port have failed.

### **Approach**

This analysis chronologically sketches the Bolivian situation, as it relates to its landlocked status, from the dispute's inception to the present-day circumstances. Hence, this study is significant for the following reasons:

- In order to provide a physical base to understand the roots of the dispute, the reader will be provided with an accurate geographical sketch of the Desert of Atacama, which is the geographic area over which the War of the Pacific erupted. A description of valuable natural resources discovered and exploited in the desert will also be provided.
- This analysis offers an overview of the War of the Pacific (1879-1883) so that it may provide the reader with particulars on the causes of the war and the various treaties and truces that resulted.
- This study provides an analysis of the central question using the author's main hypothesis. It chronologically evaluates how the unstable government and the precarious nature of Bolivia's unstable economy have contributed to her failure to resolve her maritime confinement. The other side of the vicious cycle will also be explored to demonstrate how the lack of a satisfactory resolution has created an atmosphere of political instability and encouraged economic underdevelopment.

## CHAPTER 2 HISTORICAL BACKGROUND

In a region awash with territorial controversy, the Atacama Desert dispute, reflecting the conflicting geopolitical ambitions of Bolivia, Chile, and Peru, stands apart as one of the most involved and intractable. The boundaries of the Atacama Desert were a point of contention even before Bolivia and Chile won their independence from Spain, and the dispute is still active today, although the salient issues have changed considerably over the decades. Using historical reference by a variety of scholars, this chapter will acquaint the reader the most pertinent historical aspects of the War of the Pacific. The outcomes of specific battles, though, will not be addressed as these are beyond the scope of this analysis. However, in addition to introducing the territorial dispute and its outcome, this chapter will briefly address the root causes of the war in order to demonstrate that war was inevitable. Finally, the purpose of this chapter is to promote a better understanding of the historical implications of the war in order to create a framework, which will facilitate an understanding of how and why the disputed region continues to impact the belligerents in the twenty-first century.

### **Bolivia and Chile: Colonial Period to Independence**

The oldest and most traditional types of international conflicts are border and territorial conflicts, many of which have roots in the inadequate definition or demarcation of colonial and early national frontiers. Colonial boundaries in South America were particularly important because they formed the basis on which national boundaries were established. Both Bolivia and Chile gained their independence from Spain without clear

and set boundaries. Each nation thought it had settled boundaries with each other, but in fact, no common agreement or treaty was in effect. Nevertheless, both nations claimed at least partial ownership of the disputed Atacama Desert by invoking the principle of *uti possidetis* (Talbot, 1974: 34).

As the struggle for independence in South America began in the early 1800s, the nations erected out of Spanish colonies generally observed the colonial boundaries they had been given by Spain. That principle of national demarcation came to be called the *uti possidetis* of 1810. “Black’s Law Dictionary” defines the legal doctrine of *uti possidetis* as “the doctrine that old administrative boundaries will become international boundaries when a political subdivision achieves independence.” According to the legal doctrine,

Each state was to be recognized as possessing all territories that were presumed to be possessed by its colonial predecessor as of 1810 (for South America) or 1821 (for Central America), reflecting the last periods of unchallenged Spanish rule (and thus the last times that borders could be considered to have been under Spanish authority). Under this principle, there would have been no possibility of new claims based on *terra nullius* (territory belonging to no-state) or of claims by extra regional states. In addition, there should be little or no conflict among the bordering states because of the clear identification of each other’s border’s location based on colonial-era administrative lines (Allison, Michael E., Paul R. Hensel, and Ahmed Khanani. "The Colonial Legacy and Border Stability: Uti Possidetis and Territorial Claims in the Americas." Annual Meeting of the International Studies Association (2004).).

Thus, during the 1819 Congress of Angoshua declaration, Simon Bolivar, invoking the principle of *uti possidetis*, announced that the new independent states should maintain the same boundaries as the colonial political administrative territorial units of 1810 (Barton, 1997: 63).

Nevertheless, the colonial Spanish administrative boundaries were often vague and the dissolution of the great Spanish empire left in its wake conflicting and ambiguous territorial claims that incited long-standing disputes and border wars such as the War of

the Pacific. Thus, in essence, the vagueness of the principle of *uti possidetis* created conflict between the bordering states of Bolivia and Chile rather than hinder it.

### **The Contenders**

#### **Chile**

The earliest Chilean boundaries were delineated by Governor Pedro de La Gasca of Peru in 1548. La Gasca set the Chilean boundaries on the north at Copiapo 27 S and on the south at 41 S with an eastern line of one hundred leagues inland from the Pacific Ocean. Chile extended from Copiapo to approximately the present city of Puerto Montt. However, at the time of Chilean independence, which was formally proclaimed on February 12, 1818, Chile's boundaries were loosely defined. In the north, the area adjacent to Paposo was considered the boundary area (Talbot, 1974: 12-15). Theodorick Bland, a U.S. representative sent to Latin America to report on countries before recognizing them as nations in 1818, described Chile's territory.

The long and mountainous territory of Chile commences on the Pacific at the mouth of the Rio Salado; thence ascending that river, and extending away from it toward Paquil by a line in a northeasterly direction, over a portion of the frightful Atacama beyond the twenty-fourth degree of south latitude, until it intersects the great chain of the Andes (Dennis, 1967:10).

Since this area was desert, the lack of a boundary line caused no problem until the discovery of nitrates in the latter half of the nineteenth century.

The first boundary description of an independent Chile was stated in terms of areas, as was characteristic of the colonial period. This method of describing boundaries became the model for succeeding Chilean constitutions. Chile's first constitution established its northern limits as the Desert of Atacama. The Constitution of 1822

included the first statement of territorial limits for the country.<sup>1</sup> Article III of Chapter One defines the boundaries as Cape Horn on the south, the Desert of Atacama on the North, the Andes on the east, and the Pacific Ocean on the west. The islands of the Archipelago of Chiloe and the islands of la Macho, Juan Fernandez, and Santa Maria groups as well as other adjacent islands were included within Chilean territorial boundaries. In 1827, a series of laws, rather than a constitution, formed the basis of government and no statement of national boundaries was given. Nonetheless, eight provinces were established and boundaries for them were described (Talbot, 1974: 26-28). The Constitution of 1833 was in effect at the height of the Atacama Desert dispute and during the War of the Pacific. The first article of the Constitution contained a geographic description of the nation much like those in preceding statutes. It defined Chile's boundaries as extending, "from the Desert of Atacama to Cape Horn, and from the cordillera of the Andes to the Pacific Ocean, including the Archipelago of Chiloe, all the adjacent islands, and those of Juan Fernandez" (Talbot, 1974: 28). Moreover, the United States officially considered the Rio Salado as the northern boundary of the newly recognized Chilean Nation (Dennis 1967: 15; [Figure 2-1](#)).

## **Bolivia**

The Audiencia of Charcas<sup>2</sup> began to exercise its jurisdiction in 1561 over a radius of three hundred and twenty miles outward from its seat in the city of Chuquisaca, and expanded to include present-day Bolivia and, at its height, territories in Peru, Chile,

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<sup>1</sup> Four constitutions preceded the Constitution of 1822 (1810, 1812, 1814, and 1818) and that none of them contained geographical reference to national boundaries.

<sup>2</sup> Spain divided the new world into Viceroyalties, New Spain in the north and Peru comprised of essentially South America. Because of the size, each viceroyalty was divided into Audiencias. Originally they were purely judicial. The Audiencia of Charcas became the eventual territorial basis of 19<sup>th</sup> century Bolivia. The area of the Audiencia changed over time, as new ones were created and the borders were reconstructed.

Paraguay, Argentina, Uruguay, and Brazil (Figure 2-2). In 1776, it was placed under the newly established Vice-Royalty of Buenos Aires. Upper Peru in 1809 was the Audiencia of Charcas and an administrative province of the Viceroyalty of Rio de la Plata. In 1810, when Buenos Aires declared independence, the Viceroyalty of Lima annexed Upper Peru. As the period of independence approached at the opening of the nineteenth century, the actual dividing line between Chile and Bolivia was the Copiapo region at the southern extremity of the Atacama Desert and the legal colonial limits were at the Rio Salado (Morales, 1992: 5).<sup>3</sup> Moreover, Fifer (1972) indicates that the territory “claimed by Bolivia as the Audiencia of Charcas on the basis of the *uti possidetis* of 1810 comprised an extensive, very irregularly shaped mass of approximately 850,000 square miles – almost exactly twice the area of modern-day Bolivia” (19).

The Spanish colonial territory that became the Republic of Bolivia was a land of revolution from the very beginning. Bolivia’s struggle for independence began in 1809 and ended on August 6, 1825 when Upper Peru declared its independence and transformed itself into the Republic of Bolivia, comprising the provinces of La Paz, Charcas, Cochabamba, Potosi, and Santa Cruz. Thus, the Desert of Atacama south to the Rio Salado as a district of Potosi became a part of the Republic of Bolivia. (Figure 2-3) It was one of the last colonies to consolidate independence and as Morales (2003) suggests, Bolivia has “struggled to preserve its political existence from the expansionist schemes of its neighbors and the grand designs of its liberators” ever since (35). Bolivia’s Declaration of Independence of 1825 specifically incorporated within its national territory the province of Potosi, whose southern boundary included the disputed

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<sup>3</sup> This was established from a map of the province made by the royal mint as requested by the governor of Potosi in 1787.

Atacama Desert. Various scholars contend that Chile never explicitly dealt with the boundary issue until it discovered potential revenue sources. However, the Chilean Constitutions of 1822 and beyond describe its territorial claims and contradict this claim.

Early Bolivian leaders had sought to insure the nation's future as a viable economic unit by securing a port, which would encourage the expansion of export markets. As a result, by decree in 1825, Bolivar had designated the small port of Cobija, founded in 1587 and located between the Loa River in the north and the Salado River in the south, as Bolivia's principle pacific seaport (Dennis, 1967: 15). Slightly south of Cobija, Bolivia also maintained the port of Mejillones, which later constituted the main transfer point for the guano and nitrates exploited by Bolivia and Chile in the disputed Atacama Desert (Morales, 2003: 78). However, the panhandle Port of Cobija never competed economically with the Port of Arica, a sovereign territory of Lower Peru. As Fifer (1972) points out, Arica was the best port for Bolivia; "given the available methods of transport before the railway era, and the harsh nature of the intervening terrain between coast and cordillera, the overwhelming advantages of the shortest route between them proved unbeatable" (25). Thus, while Tacna, Arica, and Tarapaca were within the administrative boundaries of the Audiencia of Peru, the Port of Arica served as Bolivia's primary outlet to the sea (Dennis, 1967: 6).

The Latin American independence movement led to separate countries seeking to establish economic, political, and cultural autonomy. Yet, the extensive boundaries of the former Audiencias were constantly changing, sowing confusion and fractious territorial disputes between many newly independent Latin American states. Thus, while Bolivia and Chile attempted to break from their colonial pasts to conduct post-colonial

political economies, their developmental paths crossed in the Atacama Desert and provided the impetus for a boundary dispute that remains unresolved more than a century later.

### **The Atacama Desert**

The Atacama Desert is the driest desert in the world. Often, absolutely no rainfall is measured over years and decades. The dryness of the region is no accident; instead it results from Andes Mountain Range, running along the eastern portion of the desert and the cold Peruvian current, located in the Pacific Ocean off the coast of Chile and Peru.

The Andes, since their creation, have had a tremendous impact on the formation and climate of the Atacama Desert. As humid air is pushed from east-to-west and up over the Andes Mountains, the cooling of the air causes clouds to form and drop rain on the east side of the Central Andes Mountains. The opposite happens on the west side of the mountains as the air descends and warms; it absorbs moisture and creates very dry conditions. This is known as the rain shadow effect (Caviedes, 1995: 51). The east-to-west wind pattern crossing the Andes is what we find in the Central Andes. Winds blowing from west-to-east, as can be found in the Southern Andes, help to create a wet climate west of the mountains, but a dry climate east of the mountains.

In addition to the Andes, the other major factor leading to the formation of the Atacama Desert has been the cold waters of the Peru Current, which brings cold water up the coast of Chile and Peru from Antarctica. This cold water and air from Antarctica, along with the steep coastal hills along the desert coast, lead to the forming of clouds that just sit over the desert and refuse to release any rain (Farcau, 2000: 5). Average rainfall is less than half an inch per year. However, using an average to describe desert rainfall is not very useful as years or decades may pass before a freak storm brings rain to the

desert. Renowned geographer Isaiah Bowman describes the Atacama Desert best: “It is as nearly like a rainless land as any that we know on the earth today” (Bowman, 1924: 40).

The coastal hills that play a part in the rainless climate have discouraged many from colonizing the coast of the desert. Hardly any good locations for a port can be found along the coast of the desert; a sailor could go hundreds of miles before locating a potential harbor (Farcau, 2000: 6). The steep hills make it difficult to place a settlement on flat ground of any size. Ports, for example Antofogasta, are often placed not on the most open space available, but instead in front of passes through the hills, allowing access to the resources of the Atacama Desert.

Poor regional transportation and communication has plagued the Atacama region. Consider the example of the port city of Cobija. Initially created as an outlet to the sea for the rich silver mines of Potosí, the mines were 500 miles from the port across the driest desert in the world. The commute was approximately 500 miles by foot and mule, with water points scattered intermittently along the route. Each caravan took around 20 days to complete the journey from Potosí to Cobija (Bowman, 1924: 201).

Although moving east to west across the desert was extremely difficult until more recent times, movement north to south was traditionally even more difficult. East-west movement could be achieved as long as the traveler stopped at water points every hundred miles or so. However, north-south movement required one to travel hundreds of miles between water points. As a result, nearly all north-south movement was conducted by sea. This unique regional dilemma became a major military obstacle in War of the

Pacific, as any army movement from north to south would need to be made by sea (Farcau, 2000: 6).

### **Guano**

Although the Atacama Desert is a very inhospitable region for man, it is in fact these hardships and this uniqueness that made the desert a valuable commercial area in the mid-1800s.

The cold waters of the Peru Current running off the coast of the Atacama Desert are full of marine life. The coastal upsurge of deep cool waters adds valuable organic and mineral nutrients to the waters off the coast of the desert (Caviedes, 1995: 72). These nutrients feed large masses of plankton that make up the first link of this marine ecosystem. The plankton attracts species such as anchovies, which in turn attract larger and larger fish to the area. The large mass of medium sized fish thus became a major food source for various varieties of seabirds, like pelicans and gulls. This particular food chain that ends with local seabirds eating fish has gone on for tens of thousands of years. Those who live by the sea consider the birds a nuisance, since they remain on the beach after they have consumed their fair share of fish and leave bird droppings, which blanket the area with a coat of white bird dung (Farcau, 2000: 7-8).

However, the large number of birds that defecate on the rocks off the coast of the Atacama Desert is not what is worth highlighting here. The lack of any significant rainfall to occasionally rinse clean the coastal rocks is what made this region an area worth exploiting by entrepreneurs. Unlike other parts of the world inhabited by coastal seabirds, bird droppings or guano, had accumulated here since before recorded time and areas of guano as deep as 150 feet were to be found along the coast of the Atacama Desert by the mid-1800s.

The demand for Guano did not truly begin until 1840 when Alexandre Cochet, a Frenchman living in Peru, conducted experiments on both guano and mineral samples and determined that nitrate of soda could be extracted from both substances. Nitrates had been used for centuries as fertilizer. However, Cochet's work, published in 1841, was the first to show how to extract nitrates from guano and the results one could achieve by using this substance as fertilizer (Farcau, 2000: 8-9).

Found along coastal shores, Guano simply needed to be broken up into manageable pieces, placed in bags, and loaded aboard a nearby ship. The workers who did the actual digging and moving of the guano lived a very hard life. The constant digging caused a cloud of guano dust, which settled over everything the workers owned. To make matters worse, the workers lived on these giant mounds of guano and were never able to escape the stench and dust of the work site (Farcau, 2000: 9).

### **Mining for Nitrates**

Another important resource to the region also came about due to the lack of regional rainfall. The Andes Mountains, which run down the eastern edge of the desert, does receive some rainfall and snow. During the seasonal runoff, the water flows down the mountains and hills of the Andes into shallow lakes that form from time to time. As the mountain runoff streams down the mountain, it accumulates minerals and deposits these minerals into these shallow lakes. The mountain runoff now located in a desert region with no rain to further supply the lake begins to dry up as the water is absorbed by the desert floor or is evaporated by the desert sun. This pattern has been repeated year after year ever since the Andes Mountain Chain was formed. As a result, large deposits of Sodium Nitrate accumulate on the surface or are buried slightly below a surface layer of sand (Farcau, 2000: 8).

Ten years after the rush to extract guano commenced, nitrates began to be extracted through the mining of the Atacama Desert. Guano had been relatively easy to extract; however, after a lapse ten years, it was becoming difficult to locate quality deposits of guano. To compensate for this lack of quality guano, entrepreneurs began prospecting in the desert, looking for quality mineral deposits. As mentioned earlier, deposits often formed in dry desert lakebeds. At times, quality deposits could be found a few inches under the sand; at other times they were found much deeper. Once located and extracted, however, these minerals could not simply be loaded on a nearby ship. As a result, railroads were constructed and mining towns were established for the purpose of extracting sodium nitrate (Farcau, 2000: 10).

### **Advent of Boundary Dispute**

Prior to the discovery of nitrate deposits, Bolivia and Chile had disagreed upon their boundary. The boundary question dated back to the independence period, but internal problems, as well as the fact that the boundary had no value at that time caused the dispute to be forgotten or ignored. Nitrates revived the dispute and increased the difficulties of peacefully setting the boundary. Only after 1840, when the discovery of guano proved profitable, did Chile seriously challenge Bolivian sovereignty in the Atacama Desert. The territorial claims of both nations overlapped: Chile claimed coastal territory as far north as the 23rd parallel south latitude; Bolivia claimed land as far south as the 27th parallel.

By the middle of the nineteenth century, nitrate mining and the exporting of guano, had given the Desert of Atacama considerable international importance. However, even after the discovery of guano and nitrate deposits in the Atacama Desert, the Bolivian government was unable to incorporate this distant, sparsely populated coastal province

into national life. Few Bolivian's migrated to the Atacama Desert, since Bolivia's people were mostly Indian and had little interest in migrating to the desert (Morales, 2003:75). Moreover, another complicating factor for Bolivia was that despite the expertise of the most powerful elements of the Bolivian oligarchy in the mineral extraction business, both their attention and capital were largely tied up with existing projects (Farcau, 2000).

For Chile, however, it was another story. In 1842, Chile sent an expedition to find guano in that portion of the Atacama Desert under its sovereignty, the area up to the 23<sup>rd</sup> parallel at Mejillones, an area claimed as sovereign territory by Bolivia. A few small deposits were found but not enough to begin exploitation. Nevertheless, on October 31, 1842, Chilean Congress nationalized all guano deposits from the Bay of Mejillones southward and authorized the president to collect export taxes. Therefore, it was largely Chilean money, engineers, and even laborers who lead the way in bringing the Atacama nitrates to the market (Talbot, 1974: 33-35). Morales (2003, notes that "the unexpected bonanza in natural fertilizers brought a sudden influx of new settlers, prospectors, and entrepreneurs to the region; however, this population increase only compounded Bolivia's problems since Bolivian citizens were now outnumbered ten to one by other immigrants, including thousands of Chinese coolies" imported as cheap labor (75).

By 1856, with the guano market still prospering, new mining towns and camps began to extract and process sodium nitrate, which was in great demand in Europe. Thousands of Chilean peasants comprised the workforce of the nitrate mines along the Bolivian littoral (Talbot, 1974: 36). A French traveler at this period noted that in a group of twenty nitrate workers in Atacama, there were seventeen Chileans, one Englishman, one Peruvian, and a Bolivian colonel (Dennis, 1967: 38).

By 1857, abundant guano and nitrate deposits were discovered in Mejillones, an isolated and under populated region in El Litoral province along Bolivia's Pacific seacoast (Morales, 2003: 64). That year, Chile occupied the Bolivian port of Mejillones; as a result, Bolivian legislature secretly authorized the president to "declare war on the government of Chile, in the event that, all conciliatory and peaceful solutions compatible with national dignity can be achieved" (Farcau, 2000: 35). As a result, Bolivia severed diplomatic relations with Chile. Thus, the riches in the disputed Desert of Atacama steered the two toward the brink of war.

### **Prelude to War**

A regional war with Spain, however, averted a bellicose encounter between Bolivia and Chile in 1863. The guano dispute was temporarily suspended following Spanish aggression in the Chincha Islands, one of Peru's richest guano producing areas. As a result, Peru and Bolivia allied themselves with Chile to jointly defend their independence against Spain. The allies declared war on Spain in January 1866. The Spanish fleet bombarded Valparaiso and Callao. Valparaiso was unfortified and suffered extensive damage. Callao, however, repulsed the attack and a small naval combat ensued along the coast of Chile. The United States finally offered mediation, which resulted in an armistice in 1871. This war temporarily deferred the Bolivia-Chile question; however, it would not be long until it was decisively answered.

### **The Treaty of 1866**

During the war with Spain, a spirit of reconciliation existed between Bolivia and Chile and in August 1866, representatives from both nations signed a boundary treaty, which was subsequently ratified and exchanged in December of the same year (Talbot, 1974: 36). The treaty, which the Melgarejo government signed, permitted Chile greater

control over Bolivia's coastal territories on the Pacific Ocean. According to this arrangement of 1866, it was agreed that the international boundary would be drawn at the 24<sup>th</sup> parallel, but that a zone of joint mineral exploitation would be established to run from the 23<sup>rd</sup> parallel in Bolivian territory to the 25<sup>th</sup> parallel in the Chilean part of the region. In effect, Bolivia gave up all claims south of the 25<sup>th</sup> parallel. (Figure 2-1) It is also interesting to note that over the course of the 1866 negotiations, the Chilean government offered to help Bolivia seize the Peruvian provinces of Tacna and Arica. In return, the Bolivian government was to renounce its claim to the territory between Paposo and Mejillones or even as far north as the Loa River (St-John, 1992: 9). These terms, however, were not ratified.

The terms of the Treaty of 1866 were profitable for Chile because the richest mineral deposits were north of the 24<sup>th</sup> parallel (St-John, 1992: 9). The treaty was disadvantageous for Bolivia, which ceded three times as much territory than did Chile by its terms. As a result, the treaty was enormously unpopular in Bolivia. Bolivian resentment against the treaty, its unequal demands, and the heavy-handed manner of its negotiations effectively drove the parties closer to war.

### **Lindsay-Corral Agreement**

The repressive government of General Mariano Melgarejo was overthrown on January 15, 1871. Morales (2003) points out that the general was considered by his people to be “a brutal and immoral despot who squandered scarce state resources on mistresses and drunken orgies, and he suffered from fits of outright madness” (64). Once he was ousted out of office, Bolivians claimed that the Treaty of 1866 “was aggressive, impossible, and was illegal because its instigator, Melgarejo, was a self-appointed

dictator” (Dennis, 1967: 52). Thus, the Treaty of 1866 was not in force long before questions arose over the carrying out of its terms and by 1872 a revision was necessary.

The main problem with the treaty was that it failed to specify precisely which resources, other than guano, were to be included in the fifty-fifty split in duties between the two countries (Farcau, 2000:35). As a result, the next official action between Chile and Bolivia was an attempt known as the Lindsay-Corral Agreement, which was made in 1872. The Lindsay-Corral Agreement maintained the joint benefits agreement and adjusted the accounting system to include borax, sulphates, and other byproducts that were defined as minerals. Additionally, the conflicting case about Mejillones being the only customhouse was corrected and Chile was given the right to appoint customs officers to work alongside their Bolivian counterparts in the condominium zone. Lastly, the agreement stipulated that tax rates could not be modified unilaterally. In the end, the Chileans suggested that the accord’s sole purpose was to clarify the Treaty of 1866. The Bolivian opinion, however, felt the agreement represented an increase in Chilean influence in the disputed Atacama Desert. Nevertheless, Bolivia signed the agreement on December 5, 1872 (Talbot, 1974: 36).

### **“Secret” Treaty of 1873**

On November 8, 1872, the Bolivian legislature authorized the government to negotiate and ratify a defensive alliance with Peru, her oldest ally. Eleven days later, Peru agreed to support Bolivia in opposing unjust Chilean demands, which Peru deemed a threat to Bolivia’s independence. Thus, on February 6, 1873, Peru and Bolivia signed a treaty of defensive alliance. The terms of the treaty guaranteed the independence, sovereignty, and territorial integrity of the signatories; addressed when and how the treaty could be invoked; it entitled the party appealed to rather than the party purportedly

aggrieved to decide if the treaty should be invoked; and called for the pacific settlement of all disputes through arbitrary means. Finally, an important additional article stipulated that the treaty should remain secret (St-John, 1992: 12).

Peru and Bolivia's defensive alliance pact, however, did not remain a secret for long. Farcau (2000) suggests that it is "likely that La Moneda<sup>4</sup> learned of the 'secret' treaty as early as October 1873 but intentionally chose to keep this fact secret in the hope of luring the alliance into some ill-conceived action based on the supposition of Chilean ignorance which might ultimately work to its advantage" (38). Moreover, the Treaty of 1873 was used extensively for war propaganda by Chile in 1879 (Dennis, 1967: 63).

### **Treaty of Sucre**

In 1874 another treaty was ratified between Bolivia and Chile, which formally revoked the Treaty of 1866 in its entirety. The Treaty of Sucre terminated the zones shared exploitation, but once again fixed the territorial boundary at the 24<sup>th</sup> parallel. Shared export duties, unspecified in the earlier Treaty of 1872, now applied only to nitrates. A final clause in the agreement granted Chilean companies operating in Bolivia's territory in the Atacama a twenty-five year exemption from all new taxes. At the time, the Bolivian government had recently negotiated a new contract with the Antofagasta Nitrate and Railroad Company (ANRC), which stated that no additional taxes would be levied for a period of fifteen years beginning January 1, 1874 (St-John, 1992: 12-13). By replacing the despised Treaty of 1866, the Treaty of Sucre temporarily relieved tensions between Bolivia and Chile postponed the War of the Pacific for another four years.

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<sup>4</sup> La Moneda is the Chilean equivalent of the White House.

### Ten Cents Tax

In 1877, after a devastating tidal wave destroyed much of the Port of Antofagasta, the municipal government there passed a reconstruction tax. Then, in February 1878, the Bolivian Congress approved a ten cents tax on every one hundred pounds of nitrates exported from Bolivian territory claiming arrears from the date of the signing of the 1874 treaty. This new law directly violated the Treaty of Sucre and outraged Chilean and foreign investors and the ANRC refused to pay the tax (Gumucio Granier, 1986: 46). As a result, the Chilean government formally threatened to dissolve the Treaty of 1866 and claim the desert up to the 23<sup>rd</sup> parallel if the tax laws were applied (Dennis, 1967: 70). Initially, Bolivia's President Daza<sup>5</sup> suspended the tax and the ANRC agreed to a voluntary annual contribution to the Bolivian government.

In December 1878, Chile and Argentina put an end to their dispute over Patagonia and the Straits of Magellan. Daza, not realizing that Chile had eliminated a foreign threat that freed her to devote her attention to other disputes, judged the settlement a sell-out that indicated a lack of character in Chilean government. As a result, a week after Chile settled its dispute with Argentina, Daza assumed he would exploit Chile's perceived weakness and proclaimed that the suspension of the ten cents tax was at an end and that it must now be paid retroactively from the date of its original passage. Coming on the heels of what many perceived as humiliation at the hands of Buenos Aires in the Fierro-Sarratea Treaty, the Bolivian action offended Chile's sense of dignity; its sense of honor was at stake and the government felt forced to react decisively (Farcau, 2000).

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<sup>5</sup> Colonel Hilarion Daza vies with Melgarejo for the title of most abhorred of Bolivia's presidents.

The Chilean government responded with gunboat diplomacy and promptly anchored the ironclad Blanco Encalada in the Bolivian port and occupied the city of Antofagasta while mobilizing the rest of the Chilean fleet. As a consequence, Daza cancelled the ANRC's nitrate extraction contract and ordered all company property to be impounded by the state until it could be sold at auction. The date for the sale was set for February 14, 1879 (Farcau, 2000: 41). Thus, the infamous ten cents tax provided Chile with the perfect pretext to occupy Bolivia's seacoast and launch a war with its neighbors.

### **War of the Pacific 1879-1883**

On March 14, 1879, one week after Chile occupied Antofagasta<sup>6</sup>, Bolivia announced a formal declaration of war and called upon Peru to comply with the alliance of 1873 and come to the defense of her ally. For her part, Chile formally declared war against Bolivia and her "secret ally" Peru a few weeks later on April 5, 1879. War, however, might have been averted if Peru's last-minute conciliatory diplomacy had succeeded, or if Peru had not honored its defensive alliance with Bolivia.

Wholly unprepared, Peru did not want war. Even after war was declared between Bolivia and Chile, Peru offered to mediate sending Jose Antonio de Lavalle to Chile in hopes of peacefully resolving the dispute. Lavalle offered to Chile Peru's good offices with the stipulation that Chile first return the territory it had belligerently taken from Bolivia. The issue of the secret treaty, however, damaged Lavalle's credibility. The Chilean public viewed Peruvian attempts at mediation as a ploy to give Peru more time to prepare for war. Thus Peru's attempt at mediation failed and she had no choice but to

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<sup>6</sup> Colonel Daza withheld news of the Chilean landing for a week until after the conclusion of the popular carnival festivities the under way. The festivities lasted for a week and were in honor of the Colonel's birthday (Morales, 2003: 82).

honor her defensive alliance and fight a war against a better prepared Chile (Sater, 1986: 11). Farcau (2000) suggests that Peru's ultimate reason for involvement in the war was to avoid a worse fate if she should fail not to honor her alliance with Bolivia and then subsequently have to face a menacing alliance of both Chile and Bolivia.

Peru had every right to be concerned since in April 1879, Bolivia received two Chilean proposals, which urged her to ally herself with Chile to receive help in annexing the Peruvian littoral. This proposal was formally made to Bolivia in late May 1879. Chile offered her support in helping Bolivia seize from Peru enough territory to change its boundary and secure an alternate outlet to the Pacific Ocean in exchange for Chilean possession of the littoral to the 23<sup>rd</sup> parallel south latitude (St-John, 1992: 14). Bolivia rejected this offer and the War of the Pacific waged on until its end in 1883.

The War of the Pacific proved disastrous for both of the allies. By the end of 1879, all of Bolivia's coastal areas were firmly in Chilean hands; thus, for Bolivia, the shooting war was over by 1880. Nevertheless hostilities between Peru and Chile continued for three more years while Bolivia watched from the sidelines hoping for a favorable resolution. Chilean troops pushed north to occupy the Peruvian port of Arica, and continued further north until they entered the Peruvian capital of Lima in January 1881. On October 29, 1883, Chile occupied Lima and effectively ended Peru's involvement in the War of the Pacific.

The first attempt at mediation occurred during the Lackawanna Conference of 1880<sup>7</sup>. Various delegates met on the USS Lackawanna in Arica's harbor. Chile demanded Tarapaca and Atacama, an indemnity of \$20,000,000, restoration of property

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<sup>7</sup> The Lackawanna Conference began on October 22, 1880 and ended five days later on October 27, 1880.

taken from Chilean citizens, the surrender of the Rimac, dissolution of the 1873 alliance, and a Peruvian promise not to fortify Arica. If the allies accepted these terms, Chile would occupy Moquegua, Tacna, and Arica until they had paid the indemnity. Although willing to accept a negotiated settlement, Peru and Bolivia insisted that Chile withdraw from all occupied lands as a precondition for discussing peace. Having captured this territory at great expense, Chile refused and the Lackawanna Conference negotiations stalled (Gumucio Granier, 1988: 72).

### **Negotiating Peace**

There is much truth in George Clemenceau's statement that "it is easier to make war than to make peace." By the end of 1883 Chile had won the War of the Pacific. As a result, she forced Peru to make the Treaty of Ancon and obliged Bolivia to sign the Pact of Truce. These negotiations for peace between the three belligerents began with the Treaty of Ancon in 1884. Final peace negotiations between Bolivia and Chile culminated with the Treaty of 1904. However, a permanent lasting resolution to the dispute has not been achieved more than one hundred years after the shooting came to an end.

### **Treaty of Ancon**

Peace negotiations between Peru and Chile began in 1883. The final draft of the peace treaty was made at Ancon, which name it bears, and signed in Lima on October 20, 1883. Three days later, on October 23, 1883, Chilean troops withdrew from Lima. These successful peace negotiations produced the Treaty of Ancon, which reestablished peace on the west coast of South America. The treaty contained fourteen articles, nine of which referred to either guano or nitrates. The most important terms of the treaty concern the cession of Peruvian sovereign territory to Chile. In his book, "Tacna and Arica", W.J. Dennis provides the terms of the treaty:

Peru cedes to Chile in payment of war indemnity the provinces of Tarapaca and Iquique with all the deposits of guano and nitrates which they contain, fifty percent of the product of which Chile will apply to the foreign debt of Peru until it is paid, and as the product of Lobos island are also involved, Peru cedes to Chile said deposits (not the islands) in order that their products may be applied by her creditors in equal proportion. The provinces of Tacna and Arica will remain in the power of Chile for ten years at the end of which a plebiscite will be held by which their inhabitants will decided if they wish to return to Peru or be annexed to Chile or to another nation (1967: 185)

The War of the Pacific officially ended with the Treaty of Ancon. In Peru, most of the treaty was executed without difficulty even though it was largely unpopular with Peruvians. Peru ratified the treaty on March 28, 1884 (Talbot, 1974: 54). However, as Dennis (1967) points out, “the echoes of this struggle and its imperfect treaty were to reverbrate for forty years” (192). The plebiscite in Tacna and Arica was supposed to be held ten years from that date, in 1894. However, the question of Tacna and Arica remained opened until 1929 as a result of a dispute over Article Three of the Treaty of Ancon, which provided for Chilean occupation of Tacna and Arica. This controversy, and its impact on Bolivia, will be explored in Chapter Three.

### **Pact of Truce of 1884<sup>8</sup>**

It is interesting to note that, even though Bolivia’s shooting war had ended in 1880, all of the peace negotiations for the Treaty of Ancon completely disregarded her. Rather, once a peace had been negotiated between Chile and Peru, the Chilean government moved toward securing settlement with Bolivia. In December 1883, the Bolivian government opened formal peace talks with Chile. Bolivian representatives pressured Chile to grant Bolivia access to the ocean either in the form of a corridor through Chilean territory or by modifying the recently ratified Treaty of Ancon and ceding to Bolivia the

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<sup>8</sup> The Pact of Truce is also known as the Treaty of Valparaiso.

provinces of Tacna and Arica. Chile rejected both suggestions and talks stalled when Bolivia continued to insist on a provision for Bolivian access to the sea. As a result, Chile proposed an indefinite truce until the related issue of a plebiscite on Tacna and Arica was resolved (St-John, 1992).

Bolivia finally saw the hopelessness of her position and on April 4, 1884, signed a Pact of Truce with Chile. This was only a provisional arrangement, pending a final settlement. The agreement provided for the cessation of hostilities, resumption of commercial relations between the two countries, continued occupation of the Bolivian littoral by Chile, and free transit of Bolivian goods through the port of Antofagasta. In addition, Bolivia was granted use of a seaport in Northern Chile. Thus, the Port of Arica became the port of entry for Bolivia. At Arica, customs duties were divided with twenty-five percent going to Chile, forty percent going the indemnity and to repay an 1867 Chilean loan to Bolivia, and the remaining thirty-five percent going to Bolivia. The agreement also stipulated that, once all indemnities were paid, Bolivia could move the customhouse to her own territory and transport goods across Chilean territory duty free. Furthermore, the arrangement provided for the mutual return of Bolivian and Chilean property that had been confiscated during the war and the Bolivian government agreed to pay Chile a war indemnity to cover damages (St-John, 1992: 16).

The 1884 agreement between Chile and Bolivia was merely an armistice. Until a permanent arrangement was made, Chile's control of Antofagasta remained conditional. Bolivia, of course, refused to grant its littoral to Chile unless it received an outlet to the sea. At this juncture, Bolivia remained confident and believed that, one way or another, Chile would grant her sovereign access to the sea.

### **Treaty of 1904**

The negotiations leading to a final peace settlement between Bolivia and Chile began in early 1902 when a Bolivian representative was sent to Santiago with instructions to secure a permanent resolution to the 1884 truce. On October 20, 1904, Bolivia and Chile signed a treaty of peace, friendship, and commerce. By the terms of this treaty, Bolivia formally recognized Chilean ownership of the Atacama, reestablished diplomatic relations with Chile, which had been severed in 1879 and recognized the permanent cession of the ports of Mejillones, Cobija, Tocopilla, and Antofagasta to Chile (St-John, 1992: 20-21). In exchange, Chile remunerated Bolivia for her loss and forgave the debts arising from the war or owed by Bolivia to Chilean citizens for the seizure of property during the war. Finally, Chile assumed certain debts against the region, permitted free duties at the ports of Arica and Antofagasta, and agreed to build a railroad from Arica to La Paz, which was to become the property of Bolivia at the end of fifteen years. Construction on the railroad began in 1909 and was completed in 1913 (Farcau, 2000: 196).

The 1904 settlement was bitterly debated in the Bolivian Congress. Nevertheless, the treaty was ratified. Although the Treaty of 1904 formally resolved the boundary dispute between the belligerents, in fact, the issue remains unresolved for Bolivia. The treaty confirmed Bolivia's landlocked status and, as a result, restricted economic development and created a legacy of political instability. Subsequent governmental administrations have sought to have the Treaty of 1904 annulled and a new arrangement made by which she would have a seaport. The treaty, and its subsequent modifications, has served for one hundred years as the basis of relations between Bolivia and Chile. Bolivia has never given up aspirations to regain access to the Pacific Ocean. This can

only be achieved at the expense of Chile (Antofagasta or Arica). As a result of this situation, relations with Chile are always somewhat precarious. During the last century, diplomatic relations between the two countries have been suspended on various occasions.

### **Conclusion**

The War of the Pacific had three main outcomes. 1) It allowed Chile's conquest of the Bolivian seacoast and the Peruvian province of Tarapaca. The exploitation of nitrate and other mineral riches of these conquered regions has allowed Chile to play an important role in the Southern Cone. 2) It divided the regions of Tacna and Arica, thus transferring permanent sovereignty of Arica to Chile. 3) The new status of Bolivia as a landlocked country created a conflictive situation, which endures a century later.

The official Chilean argument for war was that Bolivian provocation, i.e. the ten cents tax, threatened the livelihood of Chilean communities and that the combination of Bolivia and Peru in a hostile alliance threatened Chilean sovereignty and territorial integrity (Farcau, 2000). While the ten cents tax gave Chile the pretext to precipitate war, there were deeper more fundamental reasons for the outbreak of hostilities in 1879.

Most historians suggest that Chile declared war with Bolivia and Peru in order to 1) divert the attention of the public from its desperate economic situation, 2) to protect the interests of the ANRC, and 3) to ensure the outcome of the congressional elections that were slated for the fall of 1879. However, one cannot discount the simple fact that undefined boundaries and the discovery of valuable nitrate and guano deposits in the disputed territories combined to produce an overwhelming diplomatic crisis. Moreover, these unstable political circumstances shaped a vicious circle. Bolivia feared Chilean expansion at Antofagasta, Mejillones, and Caracoles. Peru feared that the failure of

Bolivia to stop that expansion would result in Chilean preponderance, and Chile feared Peruvian interference with her expansion into the desert. As Farcau (2000) speculates, however, “the argument that the attitude of the peoples of the region was just ripe for war seems to be the best explanation” (45).



Figure 2-1. Bolivia, Chile, and Peru: 1825 claims and possession of the Atacama Desert. Source: (Fifer, J. Valeria. *Bolivia: Land, Location, and Politics Since 1825*. Great Britain: Cambridge University Press, 1972, Figure 3, 33)



Figure 2-2. Area claimed as the Audiencia of Charcas, 1810. Source: (Fifer, J. Valeria. *Bolivia: Land, Location, and Politics Since 1825*. Great Britain: Cambridge University Press, 1972, Figure 2, 21)



Figure 2-3. Chile-Bolivia borders in 1860. Source: [www.davidrumsey.com/index.html](http://www.davidrumsey.com/index.html) (last accessed October 2004).

### CHAPTER 3 THE FAILURE OF SALIDA AL MAR DIPLOMACY

This chapter will illustrate how Bolivia's maritime confinement has led to domestic political instability and economic underdevelopment and vice versa. To prove this vicious cycle theory, the author has used historical reference by a variety of scholars and provides a synthesis of historically significant Bolivian events over the course of five decades. The four major events that will be explored are 1) the resolution of the Tacna and Arica dispute between Chile and Peru (1894-1929) 2) the Chaco War (1932-1935) 3) the Bolivian national revolution (1952-1964) and 4) the rule of Hugo Banzer Suarez (1971-1977).

The resolution of the Tacna and Arica dispute between Chile and Peru will be explored in the context of its significance to the landlocked status of Bolivia. The author will explore Bolivia's attempts to obtain the Chilean port of Arica as a sovereign exit to the Pacific Ocean before the signing of the Treaty of Santiago in 1929 and link this failure to the Chaco War. Once it became clear that Bolivia would not receive the port of Arica, she shifted her attention to the Atlantic and Paraguay thus escalating the Chaco dispute into a full blown war. Bolivia's principal goal in the Chaco War was to obtain an outlet to the Atlantic Ocean by securing a sovereign port on the Paraguay River. Thus, the Chaco War will be discussed as a classic example of how Bolivia's maritime confinement has led to political instability, which then leads to economic underdevelopment. Analysis of the political stability and economic development during the Bolivian national revolution will provide insight into how these two factors worked

together to impede the negotiation of a settlement on the seacoast issue. Finally, the rule of Hugo Banzer Suarez is explored given that it was under his rule that diplomatic relations between Bolivia and Chile were restored (1975-1978) and talks on the seacoast issue were entertained. These talks, however, failed to provide Bolivia with a sovereign port; thus, the cause of this failure will be explored.

### **Bolivia and Arica: A History**

In 1841, the American consul to Bolivia noted that the port of Arica was a “port that had been incessantly coveted by Bolivia, since the very moment that it was founded as a nation” (as cited in Gumucio Granier, 1986: 27). He was, essentially, correct. In 1546, Arica was established as a port of exit for minerals from Upper Peru. In 1547, it was declared the “official and mandatory port for the exportation of silver from Potosi” (as cited in Gumucio Granier, 1986: 40). In 1784, the port of Arica was administratively transferred from the Audiencia of Charcas (modern-day Bolivia) in the Viceroyalty of La Plata to the Intendancy of Arequipa in the Viceroyalty of Peru. Gumucio Granier (1986) notes,

During the War of Independence, Arica recuperated its role as the most important port of Upper Peru and jointly with the Upper Peruvian provinces, claimed its intention of becoming part of the new “Republica Bolivar,” instead of remaining under the dependence of the government of Lima (41).

Thus, in 1825, it was generally assumed that Lower Peru would cede the Pacific coast, from Arica southward, to Bolivia. Both British and American (United States) diplomats reported the secession of Upper Peru and were confident that Bolivia’s Pacific coast would be extended. William Tudor, the United States Consul in Lima, even recommended a man for the new post, which would be created in Arica when this port was transferred to Bolivian ownership (Gumucio Granier, 1986: 42). In 1826, the

Peruvian government agreed to transfer to Bolivia a segment of the Pacific coastal territory, including the port of Arica. By this treaty, Bolivia would have gained not only the port of Arica, but also the provinces of Tacna and Tarapaca; however, Peru's congress refused to ratify the treaty (Fifer, 1972: 38).

In 1841 Peru invaded Bolivia. Peruvian troops captured the Bolivian port of Cobija in October 1841; it was abandoned two months later. As a result, a frustrated Bolivian government briefly occupied Arica. In the course of Bolivia's temporary occupation, the Bolivian government offered to buy the port from Peru. Peru rejected all purchase offers (Fifer, 1972: 32-50). As a compromise, Bolivia and Peru signed a treaty of peace and commerce on November 3, 1847. Even though Peru had regularly disputed Bolivia's claims to the right of free transit through Peruvian territory, the right of such transit was written into the 1847 treaty. This treaty would remain into effect until the War of the Pacific.

### **Bolivia's Quest For Arica**

Bolivia and Chile were very close to a final peace agreement in 1895, when both governments signed five interrelated pacts. The most significant of these pacts was the second one, which established the surrender by Chile of either Arica or Caleta Vitor to Bolivia once the dispute between Chile and Peru was settled by plebiscite. This peace agreement, however, never came into effect since neither the Bolivian nor Chilean government agreed to ratify the treaty (St-John, 1992: 18-19).

Bolivia expected that Chile would compensate her for the lost littoral with Tacna-Arica after Chile received them as the result of a favorable plebiscite at the end of the ten-year occupation. Even so, on several occasions, Bolivia requested the assistance of the United States in its efforts to acquire a sovereign outlet to the Pacific Ocean. Bolivia

attempted to elicit the support of the United States to promote international justice. In doing so, Bolivia expected assistance in her quest to obtain a sovereign outlet to the Pacific over the course of the Tacna-Arica mediation efforts and subsequent settlement.

In November 1918, the Bolivian foreign minister contacted Mr. Goold, the American Charge d' Affaires, for a meeting and revealed that,

The Bolivian government had intentions to send a special mission to Washington to congratulate the government of the United States for its victory [in WWI], and also for the purpose of presenting the Bolivian case with regard to the acquisition of a port (as cited in Gumucio Granier, 1986: 139).

Later, Mr. Goold pronounced that although Bolivia would rather solve this problem with United States mediation, it would attempt to take up the issue of its maritime confinement with the League of Nations (Gumucio Granier, 1986: 139).

Bolivia was inspired by the ideals of Woodrow Wilson and saw in them a hope for retrieving what they had lost in the War of the Pacific. The newly formed League of Nations appeared to be the vehicle through which they could realize this objective. Thus, on November 1, 1920, Bolivia presented to the League of Nations her case for a seaport on the grounds that the Treaty of 1904 was null and void because it was imposed “by force and repeated non-compliance of the treaty by Chile” (as cited in Gumucio Granier, 1986: 146). However, the League did not consider Bolivia’s petition because it had been presented after the deadline for these cases had expired. Bolivia thus withdrew her petition and presented her case to the League once again in 1921 with no success (Gumucio Granier, 1986: 147).

### **United States Arbitration**

The Peruvian Congress ratified the Treaty of Ancon in March of 1884, and it was ten years later that the plebiscite was to be held in Tacna-Arica. At the end of the ten-

year period, however, Chile did not hand over the disputed provinces. This was a problem for Peru because under Article III of the treaty Chile would gain sovereignty over Tacna and Arica only if she won the plebiscite. Yet the only diplomatic decision that was taken on the plebiscite matter prior to the end of the nineteenth century was an agreement that included Bolivia in the plebiscite agreement for Tacna and Arica. Under these provisions, the voters in the region would be given three possible choices, Chile, Peru, or Bolivia. In the event that Bolivia won the plebiscite, she would pay Chile five million pesos, half of what Peru and Chile would have to pay each other. This move, however, was meant to appease Bolivia, who had been actively campaigning for an alternate route to the Pacific Ocean since 1904. None of the parties considered it a serious possibility that the residents of the region would select Bolivia, as the Bolivian population in the Atacama, even before the war, had been insignificant (Farcau, 2000: 196). Chile and Peru were never able to conclusively iron out the details for conducting the plebiscite. A resolution was not even reached with arbitration by the United States in 1922 and the plebiscite was never held.

At the end of 1921 the long stalemate of disputed ownership in Tacna and Arica was submitted to the United States for arbitration. On June 20, 1922 delegates of Chile and Peru signed a protocol of arbitration. Under the protocol, the arbitrator would decide if the plebiscite should or should not be held. If the arbitrator decided that the plebiscite should not be held, which is what Peru wanted, the problem would be sent back to the two countries for further discussion. If the arbitrator decided that the plebiscite should be held, which is what Chile wanted, he was authorized to determine the conditions for conducting it (Talbot, 1974:65).

Even before the governments of Chile and Peru agreed to arbitration to determine ownership of the provinces of Tacna and Arica; Bolivian President Bautista Saavedra sent a message to U.S. President Harding pleading for the consideration of Bolivia's plight in the settlement of the Tacna and Arica question. President Saavedra declared:

Although the dispute in which the republics of Peru and Chile are involved, and to the termination of which your Excellency wishes efficaciously to contribute, seems to be confined to the disagreement over the non-fulfillment of the so-called Treaty of Ancon, it cannot be overlooked that it concerns Bolivia, for my country indeed was a victim of the conflict of the Pacific and there can be no fair, no final solution until reparation is made for the loss of her maritime territory...And this is why I appeal, at this moment, to your excellency, and ask you in the name of the Bolivian people that in the hearing given to the dispute that Peru and Chile wish to submit to you, you will listen to the claims of Bolivia, and call my country so that it may be considered as a constituent part in solving the case of the Pacific (as cited in Gumucio Granier, 1986: 155).

In reply, President Harding noted that the case of Tacna and Arica, which was to be submitted to arbitration by the United States, concerned itself only with Article III of the Treaty of Ancon and thus concerned only its signatories, Chile and Peru. As a result, President Harding remarked that he could not include Bolivia in the negotiations (Gumucio Granier, 1986:55). Bolivia, however, would not let the matter rest and sent another petition on May 24, 1922 stating that:

Bolivia considered that the question for debate in Washington was relevant for the *three* [my emphasis] participants in the War of the Pacific and that a final and lasting arrangement would only be possible with the participation of the three concerned countries (as cited in Gumucio Granier, 1986: 157).

Once again, however, the Bolivian petition was not considered because the United States considered the conference as being only relevant to the problems arising from the application of Article III of the Treaty of Ancon, of which Chile and Peru were the only signatories. Furthermore, the United States stated that it was not a party to the conference, but merely its host (Gumucio Granier, 1986: 157). Upon failing to receive

support for its cause from the United States, Bolivia presented its case directly to the Chilean government in 1923. The Chilean government categorically refused negotiations stating that the case had been settled with the Treaty of 1904 (Gumucio Granier, 1986: 148).

United States arbitration in the matter of Tacna and Arica was concluded on March 24, 1925. President Coolidge decided that the plebiscite should be held. This decision pleased Chile; however, it was disappointing for Peru (Dennis, 1967: 200). President Coolidge based his decision on the fact that the treaty stated that the vote would be taken “after” the lapse of ten years, and not necessarily immediately thereafter. He determined that Chile and Peru had wanted at least ten years to pass before the vote was to be taken, however no specific time limit was set (Farcau, 2000:197). Additionally, the Coolidge award returned the district of Tarata<sup>1</sup>, which Chile occupied after the War of the Pacific, to Peru (Dennis, 1967: 215).

The Coolidge decision set the conditions under which the plebiscite was to be held. The plebiscite was to include all males aged twenty-one years or older who were literate or property owners and who were either born in Tacna/Arica or Peruvian or Chilean citizens who had lived there for two years continuously prior to 1922 and through the date of voter registration (Dennis, 1967: 197).

In Chile the reaction to the Coolidge award was favorable. The impression seemed to be that it had won the provinces merely by winning the award, since there were few or no pro-Peruvians left in Tacna and Arica and that the plebiscite was merely a means to an

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<sup>1</sup> After the war, Chile occupied the district of Tarata, which Peru argued had never belonged to either Tacna or Arica and should simply be returned to Peru without being risked in the vote, a point Chileans consistently refused to accept (Farcau, 2000).

end. In Peru, however, the reaction was not positive. Peru remained adamant that Chile had violated the Treaty of Ancon by not holding the plebiscite within the specified time frame. As a consequence, they argued, the provinces of Tacna and Arica should automatically be returned to Peru without a plebiscite. A Peruvian minister explicated Peru's perspective with the following quote. "The controversy over Tacna-Arica is intimately bound up with the honor and dignity of Peru. Tacna and Arica were since the Colonial days up to the present time an integral part of our territory" (Dennis, 1967: 274). Considering this, the Coolidge decision was a hard pill for Peru to swallow.

Although both nations agreed to hold the plebiscite, neither Chile nor Peru wanted it. Nevertheless, following the decision, a plebiscite committee was put into place in order to straighten out the details for the vote. The committee, however, was never able to come to a consensus and any hope for a fair plebiscite was abandoned. General Lassiter, head of the North American delegation, blamed Chile for the committee's failure suggesting that Chile chose not to produce an atmosphere conducive to holding the plebiscite by failing to control the "overzealous unrestrained Chilean element in Tacna-Arica" (Dennis, 1967: 263). It is probable that a free and fair plebiscite would have given the territory in dispute to Chile. It is doubtful, although possible, that Peru could have returned enough voters to win the vote.

After the adjournment of the plebiscite commission on June 14, 1926, the United States offered its "good offices" to Chile and Peru to permanently resolve the dispute over Tacna and Arica. Both Chile and Peru agreed to mediation and the first meeting under the good offices of the United States was held on March 26, 1926 (Dennis, 1967: 264).

Over the course of the next 2 years, little progress was made; however, four possible options for resolution were considered. The first option, which was promptly dismissed for fear that it would breed a South American war in the future, was that the territories remain under Chilean sovereignty. The second option would divide the territories between Chile and Peru with or without a corridor for Bolivia. The third option suggested that the territories could be neutralized as an independent state or under the protection of another power or powers. The fourth option considered ceding Tacna and Arica to another nation not a party to the negotiations (Dennis, 1967: 267). While a particular state was not specifically mentioned for this fourth option, Bolivia was obviously the prime candidate. In Bolivia, hope was aroused over this fourth option as made apparent by a telegram sent to President Coolidge by President Hernando Siles (1926-30) of Bolivia, which stated

It is my duty to express to your excellency the satisfaction of the government and people of Bolivia at the suggestion of the secretary of state of the great republic to the most excellent governments of Chile and Peru, to the effect that in the dispute over Tacna and Arica or in its results the desire of Bolivia for a port be taken into account...in bringing about a solution of the old-standing question of the Pacific which concerns three and not two peoples, of which none suffered more painfully from the war by maritime mutilation than the one over which I have the honor to preside (as cited in Gumucio Granier, 1986: 165).

However, this option was never a serious contention; given that “both Chile and Peru declared vehemently that they would each prefer the other to win the provinces rather than allow them to be ceded to Bolivia” (Fifer, 1972: 77).

Hence, Bolivia’s landlocked status failed to receive the international recognition it had looked for. The lack of success of Bolivia’s appeals to international organizations such as the League of Nations and international powers such as the United States proved that she could neither discuss her vital interests nor resolve her conflict with the help of

other states if these are not in the best interests of world powers. Consequently, Bolivia, which at the time was situated at the bottom of America's priority list, did not have a chance to succeed despite its tireless diplomatic initiatives.

### **Treaty of Santiago**

After a difficult round of negotiations over the course of forty years, representatives of Chile and Peru finally signed the Treaty of Santiago on June 29, 1929. Each country subsequently ratified the treaty on July 28 of that same year with large majorities thus dissolving the long-standing dispute with the stroke of a pen. In the final settlement, Peru received Tacna and Chile Arica. In addition, Chile agreed to grant Peru a wharf, a customhouse, and a railway station at Arica Bay as well as to pay Peru a six million dollar indemnity. Chile also promised to erect at the Morro of Arica a monument dedicated to peace between the two nations. Furthermore, and this point is of supreme importance, both parties were prohibited from ceding to a third power the whole or any part of the territories they received under the Treaty of Santiago, and from constructing new international railroad lines across their respective territories without the consent of the other (St-John, 1992: 25). As a result of this clause, Bolivia's quest for sovereign access to the Pacific Ocean through Arica was effectively thwarted. Recognizing that such an agreement between Chile and Peru would be disastrous for his country, Bolivian diplomat Eduardo Diez de Medina met with the U.S. Secretary of State on July 3, 1929 so as to present a protest to the United States against the inclusion of the "third-party no transfer" (Gumucio Granier, 1986: 190) clause. He argued (correctly) that such a clause would prohibit any effort by Chile or Peru to provide Bolivia with an outlet to the sea and vice versa as both countries had conflicting interests in their relations with Bolivia. In other words, the agreement intended to "lock-up" Bolivia. Bolivia's protests were

nevertheless dismissed and the clause was included in the treaty. The exclusion of Bolivia from the negotiations leading to the Treaty of Santiago proved most unfortunate as that pact represented an opportunity lost to reach a permanent solution, which satisfied all parties to the dispute.

### **An Alternate Route to the Sea: The Chaco War 1932-1935**

Before the War of the Pacific, Bolivia showed little interest in its territorial dispute with Paraguay. Forces were at work, however, that would move the question of sovereignty in the Chaco Boreal to the front burner. When the front door of Arica slammed in its face as a result of the Treaty of Santiago, Bolivia turned full force toward her back door to the sea, the Paraguay River. The idea of a Bolivian port on the Paraguay River that would connect with the La Plata Basin and then to the Atlantic was not new. The feasibility of founding such a port had been recognized for years, but there seemed little reason to make the effort so long as Bolivia enjoyed sovereign access to the Pacific. This rather unrealistic dream of gaining access to the Atlantic via the navigable portion of the Paraguay River led Bolivia to adopt an aggressive policy in the Chaco Boreal, an area almost as inhospitable as the Atacama.

The dispute between Bolivia and Paraguay over the territorial boundaries of the Gran Chaco traces back to independence; nevertheless, the territorial conflict, dormant for many years, was revived in the 1920s. This is no coincidence. Chile and Peru's long overdue settlement in 1929 provided the rationale for the Chaco War with Paraguay as a means of breaking through the Atlantic coast in the east.

The Gran Chaco is a vast expanse of land covering the area from the foothills of the Andes to the Rio Paraguay and from the fringe of the Amazon Basin in the north to the

Argentine Pampas in the south. The area where the Chaco War was fought is technically referred to as the Chaco Boreal<sup>2</sup>, while the Argentine portion is the Chaco Austral.

In the late nineteenth and into the early twentieth centuries, Bolivia and Paraguay engaged in continuing negotiations over the border issue. Bolivia based its case on the principle of *uti possidetis*<sup>3</sup> of 1810, using colonial archives and maps she claimed that Spanish royal decrees had granted the Audiencia of Charcas possession of all the territory down to the confluence of the Rio Paraguay and the Rio Pilcomayo. Using colonial title, Paraguay claimed all land east of the Parapeti River. In addition, Paraguay argued that since its citizens had conducted virtually all exploration of the area and established the only viable settlements there; the region should belong to her (Alvestegui, 1926: 268).

The boundary dispute over the Chaco was addressed in 1879, 1887, 1894, and 1907. Neither the Bolivian nor the Paraguayan congress, however, ratified any of treaties. Farcau (1996) notes that each treaty proposal

Consisted of a series of compromises laying a definite border around the middle of the Chaco with the line anchored on the Rio Paraguay somewhere in its navigable portion and cutting across diagonally or at right angles to another line drawn northward from the Pilcomayo (Farcau, 1996: 9).

Any of these proposals would have given Paraguay a considerable amount of land, while giving Bolivia a sovereign port on the Paraguay River. The Pinilla-Soler protocol of 1907 established the boundary “midway between the closest Bolivian and Paraguayan outposts” (Farcau, 1996: 10). In 1913, a time limit was set for resolving the border dispute. If the matter were not settled by the deadline, it would be turned over to a neutral third-party for mediation. Five years later, the boundary dispute was no closer to

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<sup>2</sup> The Chaco Boreal will henceforth be referred to simply as the Chaco.

<sup>3</sup> Chapter 2 explains the principle of *uti possidetis*.

a settlement; however, since there was no third-party which neither Bolivia nor Paraguay trusted, it was decided that the contested boundary would not be submitted to outside arbitration at that time (Farcau, 1996: 10).

Zook (1961) notes that in 1927, the Paraguay Foreign Minister at Santiago reported to Asuncion “having lost his coast in the War of the Pacific...the Bolivian condor sat on his mountain perch contemplating his wounds” (44). As a result of this action, the Republican Party in power and the opposition Liberals joined together in a united bipartisan policy of retaking the lost Puerto Pacheco on the Rio Paraguay (Zook, 1961: 44). Thus, Bolivian activity in the Chaco intensified as President Saavedra, “who believed Paraguay too poor to resist gradual penetration down the Pilcomayo, directed construction of *fortines*<sup>4</sup>” (Zook, 1961: 37). Farcau (1996) remarks, “As the string of opposing *fortines* drew closer together, the changes of armed conflict increased proportionately” (11). On February 26, 1927, a small Paraguayan patrol attacked Bolivia’s Fort Sorpresa; Bolivian soldiers captured them and in the process a Paraguayan officer was killed. This brief clash recorded the first death of the Chaco conflict (Farcau, 1996: 11) Thus, by 1927, events were set in motion, which would cost Bolivia far more of the Chaco than it had ever dreamed, drain its economy, and destroy its political system. All of this in an attempt to establish a Bolivian sea-route to the Atlantic.

On December 5 1928, Paraguayan troops attacked Bolivian Fort Vanguardia, killing several Bolivian soldiers and taking twenty-one prisoners. Bolivia severed relations with Paraguay on December 9, 1928. Paraguay reciprocated that evening. As a result, La Paz was filled for days with war demonstrations and war sentiment.

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<sup>4</sup> *Fortines* were more similar to camps than to forts, since they were clusters of rudimentary huts rather than fortifications. The word, which is untranslatable, will henceforth be used.

Consequently, President Siles (1926-30) suspended the constitution and crowds demonstrated for war (Farcau, 1996: 12-14). Even so, the weakness of the belligerents' militaries prevented war at this time.

Before any new disturbance could occur, however, Bolivia underwent a constitutional crisis. General Blanco Galindo ousted President Siles from office for having attempted to unlawfully prolong his presidential term. This time of political unrest moved the Chaco issue to the backburner and diplomatic relations with Paraguay were restored on July 23, 1930. In March 1931, Dr. Daniel Salamanca, an advocate of extreme measures against Paraguay, was inaugurated as Bolivia's president (Zook, 1961: 52-54).

### **Stand Firm in the Chaco: The Rule of President Salamanca**

President Salamanca began his political career in 1900. In 1914 he took over as head of the Republican Party. He promoted "national revanchism"<sup>5</sup>, calling for the return of Bolivia's Pacific seacoast in addition to claiming Bolivia's "natural boundaries" in the Chaco along the Pilcomayo and Paraguay Rivers (Alvestegui, 1957: 32). Salamanca subscribed to the idea that Bolivia had a history that had to be counteracted with a victorious war. In his view, there was no reason why Bolivia should let itself be pushed around by a country the size and strength of Paraguay. A short little war could ultimately turn the tide of Bolivia's destiny and make Paraguay, not Bolivia, the laughing stock of the continent. Salamanca may also have had a more personal axe to grind in pushing a hard line against Paraguay, in that he had taken part in the final enactment of

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<sup>5</sup> The Republican Party came to power in 1920. Their party platform was one of "revanchism," which opposed the policy of searching for a solution to the question of the Pacific through the Chilean port of Arica. Instead, the Republican Party called for the return of the whole littoral of Atacama.

the 1904 peace treaty with Chile, which formalized the loss of Bolivia's seacoast. Salamanca took this as a personal disgrace, and he may have felt obliged to prevent another such surrender at all costs out of a personal sense of honor (Morales, 2003: 104). In a rally in La Paz he avowed, "Is even Paraguay going to push us around? War should be an adventure for Bolivia. Let us go to the Chaco, not to conquer or die but to conquer!" (Altevesgui, 1957 (vol.3): 152) For Salamanca, "The final and only objective of Bolivia in her long contention with Paraguay is the revendication of the Chaco, or of the greatest possible portion of this territory, including that of a coast on the Paraguay River" (Arze Quiroga, 1951: 265). Considering this, the president deemed (correctly) that any peace that gave Bolivia both sovereign access to the Paraguay River and the right of passage to the Atlantic would only be possible once Bolivia conquered the Paraguayan Army in battle. Thus, seeking to fulfill a very narrow conception of national destiny, President Salamanca did much to involve Bolivia in the Chaco War against Paraguay.

The Chaco War erupted in July 1932; Paraguayan forces attacked and recaptured the nominally Bolivian Fort Santa Cruz near Lake Chuquisaca. Originally, this fort had been the Paraguayan Fort Mariscal Lopez, which Bolivia had previously seized. President Salamanca denounced the attack on Fort Santa Cruz before the entire nation as blatant aggression. The general public and military elite rallied around their president and flag. As a result, Salamanca ordered an immediate military assault on Paraguayan positions (Farcau, 1996: 37-40).

It was not expected that Paraguay's rather unimpressive military establishment would be able to compete with Bolivia in the field. Standing forces and war potential

appeared to favor Bolivia. Her modern Army rested on obligatory military service and an officer corps trained largely at home by foreign military missions. As a consequence, when the departing soldiers marched towards war the mood in Bolivia was celebratory. It was like a holiday. For the Bolivians, the war represented an opportunity to defeat the only neighbor that Bolivia had any chance of defeating and earn for Bolivia some long overdue international respect and recognition. These celebrations, however, were all too glorious.

### **Negotiating Peace**

As the war waged on, various neutral countries and international organizations attempted to reach a peaceful solution to the conflict. The sticking point of these negotiations was Bolivia's insistence that a settlement include a sovereign Bolivian port on the Paraguay River, an option that Paraguay fervently rejected.

The Doctrine of 3 August was signed by each nation in the hemisphere except the belligerents on August 3, 1932. This doctrine declared

The nations of America declare that the dispute in the Chaco is capable of peaceful solution...that they will not recognize any territorial arrangements in this controversy that are not obtained by peaceful means, nor the validity of acquisitions obtained by occupations or conquest by force of arms (as cited in Farcau, 1996: 44).

Neither Bolivian nor Paraguay paid attention to this doctrine. Bolivia rejected it on the basis that it proposed a return to positions held on June 1, 1932. It argued that in doing so, the major cause of the dispute, a sovereign Bolivian port on the Paraguay River, would not be eliminated.

In January 1933, the ABCP (Argentina, Brazil, Chile and Peru) powers attempted to negotiate peace between Bolivia and Paraguay. At the end of January, representatives from Argentina and Chile met at Mendoza to negotiate a peace protocol, which was

subsequently delivered to and approved by Brazil and Peru. The Mendoza Act demanded an end to hostilities, the withdrawal of Bolivian forces to Ballivian and Robore, and Paraguay forces to the Paraguay River, the submission of the dispute to outside arbitration, and a general demobilization of both the Bolivian and Paraguay armies. Paraguay's subsequent demands were minimal. In addition to the other stipulations of the Mendoza Act, she required that the Bolivian army withdraw to Villa Montes, and that an investigation be conducted to determine war guilt. As Farcau (1996) notes Bolivia replied to the Mendoza Act with more considerable demands than Paraguay.

They [Bolivia] insisted that all previous agreements between Bolivia and Paraguay regarding the Chaco be declared null and void, proposed that arbitrations of the territorial dispute be based on the principle of *uti possidetis* of 1810, thereby virtually insuring that Bolivia would gain possession of the entire Chaco, and also called for a provision prohibiting the awarding of any reparations. They also demanded any award of territory be made solely on the basis of the best legal title and that the area of the Hayes Award be included. They wanted an area for arbitration to be bordered by the twenty-first parallel in the north and fifty-nine degrees fifty-five minutes west longitude on the west, thus reserving for Bolivia a large portion of the Chaco without arbitration. Finally, the Bolivians called for an armistice in the positions then held by the opposing forces (110).

Possibly in an effort to bolster the Mendoza Act, Chile unilaterally cut off the flow of weapons to Bolivia through its territory on January 20, 1933. Bolivia instantly protested this action maintaining that it was a violation of the Treaty of 1904, which granted to Bolivia free passage of any good through Chilean ports. This tactic, however, did not persuade Bolivia to agree to the terms of the Mendoza Act, and Chile reopened its ports a month later. Paraguay eventually accepted the terms of the Mendoza Act. Bolivia, however, rejected the proposal (Farcau, 1996: 111-112). The Mendoza Act failed to end hostilities. Consequently, Paraguay formally declared itself at war with Bolivia on May 10, 1933 (Zook, 1961: 140). One day later, Bolivia appealed to the League of Nations and demanded that sanctions be invoked against her enemy reasoning that Paraguay had

“started” the war (Farcau, 1996: 112). However, as Farcau (1996) notes, “in the case of the Chaco, Paraguay had certainly been the first to declare war, but, Bolivian troops committed the first overt warlike act” (113).

A commission from the League of Nations composed of representatives from Spain, Britain, Italy, and Mexico arrived to tour the disputed territory and to discuss peace with the belligerents on November 18, 1933. In a meeting with the commission, the Paraguayans acknowledged that it would welcome direct negotiations with Bolivia; however, it would disregard any agreement that granted Bolivia a sovereign port on the Paraguay River (Farcau, 1996: 152). Thus, at this juncture, there seemed to be no hope for a peaceful solution to the boundary dispute, as Bolivia would not repudiate its claims to the Paraguay River. Nevertheless, the League commission arranged a truce to commence at 2400 hours on December 19, 1933. The armistice had in reality been timely for both belligerents: Paraguay because she was physically incapable of completely annihilating her enemy, and Bolivia because she was unable any longer to resist Paraguay without pausing to form a new army. The armistice lasted until January 6, 1934; however, peace was never achieved as both armies used the truce to rebuild their armies and continue fighting (Farcau, 1996: 161).

Charges that international oil interests motivated the war were beginning to gain credence in 1934. Paraguay suspected that Bolivia had provoked war in search of an outlet to facilitate the production and export of Standard Oil of Bolivia (Farcau, 1996: 138). In January 1934, Paraguay stated that its government would remain inflexible on the point of not submitting to arbitration both the Hayes Zone and the littoral of the Paraguay River. Since Bolivia would not renounce its claims to either of these regions,

diplomacy was considered hopeless and war waged on (Zook, 1961: 175-176). In February 1934, the League commission presented a draft peace treaty that called for Bolivia to withdraw its forces to Villa Montes-Robore and for the Paraguayans to retreat to the Paraguay River. In addition, the treaty proposed a prisoner exchange and the demobilization of both armies to five thousand men each. Finally, the treaty stipulated that the boundary issue would be submitted to the Permanent Court of Justice at The Hague for arbitration (Farcau, 1996: 166). Bolivia rejected the proposal for “reasons of national pride and honor, which dictated that she enter negotiations as the victor and not the vanquished” (Farcau, 1996: 166). Inversely, Paraguay rejected the offer because she saw “the opportunity for a clear cut military victory and thus was not about to run the risk of unfavorable arbitration” (Farcau, 1996: 166). The League commission dissolved itself March 1934 for the reason that, “the views of the belligerents were so divergent that there was no reason to maintain its office in Montevideo” (Farcau, 1996: 199).

In July 1934, Argentina proposed a general peace treaty, which was supported by Brazil and the United States. The plan called for a conference at Buenos Aires where plenipotentiaries would settle the terms of the treaty, a definitive ceasefire, and adequate security measures to ensure the ceasefire would be observed. In the event that this meeting did not provoke a peaceful resolution to the war, the territorial dispute would be handed over to the Permanent Council of International Justice at The Hague for mediation. Argentina advanced this plan on the basis that “an economic conference and transactional discussions could satisfy Bolivian needs without Paraguayan loss of the Chaco” and that it would provide for “a gradual transition to peace” (Zook, 1961: 193). However, a month later, Argentina’s President Saavedra Lamas publicly declared that if

Bolivia insisted on sovereign maritime access to the Paraguay River, “he would end the whole matter” (as cited in Zook, 1961: 197). Paraguay accepted the terms of the peace treaty; however, once again, Bolivia rejected the proposal because it did not guarantee a sovereign Bolivian littoral zone on the Paraguay River. As this was the underlying cause of the war, this requirement could not be met. As a result, by mid-September 1934, Argentina suspended its efforts in favor of League arbitration. The United States and Brazil protested this action given that they considered that a hemispheric problem should be resolved within the hemisphere (Farcau, 1996: 200).

At Bolivia’s request, the League of Nations once again attempted to resolve the territorial dispute at the end of November 1934. The League called for an immediate ceasefire, with a ten-kilometer withdrawal by both parties and a promise to begin peace talks within thirty days. The Permanent Court of International Justice at The Hague was to handle final arbitration (Farcau, 1996: 200). However, this attempt at a peaceful solution ended in failure. This failure can be attributed to the instability that racked the Bolivian army and government following a coup d’etat, which ousted President Salamanca from office. Consequently, peace negotiations were hindered. It is interesting to note that President Salamanca quietly resigned the presidency after the army threatened to end the war if he refused (Zook, 1961: 213).

Bolivia and Paraguay finally signed a peace protocol on June 12, 1935. The protocol called for a ceasefire in place, a nonaggression pact, and immediate demobilization of both armies to five thousand men each. In addition, a neutral military commission would be dispatched to the front to fix current positions. In the event that a direct agreement between the parties proved impossible, the protocol stipulated that the

issue would be submitted to The Hague for arbitration (Zook, 1961: 239-240). The ceasefire began on June 14, 1935. Although the protocol stipulated that the ceasefire was to last twelve days, it marked the end of the war. The war was officially declared over on November 1, 1935. However, as Farcau (1996) notes, since the territorial boundaries of the Chaco were still disputed, “the war was over but peace had yet to be achieved” (238).

### **Peace Conference**

Both Bolivia and Paraguay presented their case to the Conference on July 31, 1935 regarding the basic questions of the territorial dispute. Paraguay declared that she would never allow Bolivia a port and insisted that the entire Chaco belonged to Paraguay since its army had been victorious in the war. Neither Bolivia nor Paraguay, however, would yield on their demands at this time (Zook, 1961: 246). The Conference submitted a peace proposal to the belligerents on October 15, 1935. The proposal drew a border between the Paraguay and Pilcomayo Rivers. In addition to providing Bolivia with a “psychological port” at Puerto Caballo, the proposal provided a zone of free transit for Bolivia at Puerto Casado (Zook, 1961: 246). Once again, Paraguay rejected the offer insisting that she would not give up any portion of the Chaco that was under the control of her armed forces (Zook, 1961: 246). Progress was made in May 1937 when Bolivia and Paraguay reestablished diplomatic relations. This gesture, however, was not accompanied by a settlement. As Farcau (1996) suggests, even though Bolivia “was willing to settle for less than it had demanded before the war,” Paraguay “insisted that they had paid in blood for the ground they now held and would not give up one sacred inch out of respect for the fallen” (239).

Both Bolivia and Paraguay seemed to be getting closer to reaching a settlement by the spring of 1938 as both nations made concessions in order to close this chapter of their

history. However, the issue of contention remained Bolivia's insistence on a sovereign port on the Paraguay River. This port was so important to the Bolivian people that, in June 1938, a bill was passed that authorized the purchase of arms if a settlement failed to be reached. Fortunately, cooler heads prevailed and President Busch (1937-1939) conceded that access to the Atlantic "was not worth the risk of war" (Farcau, 1996: 239). By the end of June 1938, Bolivia "for the sake of peace," had renounced its claims to the Paraguay River (Farcau, 1996: 240).

The initial peace was signed on July 21, 1938, with Paraguay promising Bolivia "complete freedom of transit to the Rio Paraguay" (Wood, 1966: 153). The Bolivian legislature ratified the treaty by a wide margin in secret session. In Paraguay, the government preferred to spread the responsibility and called for a plebiscite; peace was supported by over 90 percent of those who voted. By the end of December 1938, each belligerent had complied with the arbitral award by delivering the required territory and the war was at last well and truly over (Zook, 1961: 254).

At the end of the exhausting and, for Bolivia, humiliating conflict, virtually all the disputed territory in the Gran Chaco had been lost to the Paraguayans. Bolivia had nothing to show for its sacrifices.

The cost of the Chaco war was high for Bolivia. She suffered 52,397 killed. She lost nearly 10,000 deserters. Over 21,000 were captured, of who 4,264 died in captivity. The net loss of her population was therefore roughly two percent – over 65,000 youth. From 1932-1935 her paper currency increased twenty-five percent. By 1935 loans to the government by the Central Bank reached 370,000,000 bolivianos. Levies on export receipts of the mining companies had gone to finance foreign arms orders. Consequently, doubling of the world price of tin during the war contributed directly to the Bolivian [war] effort. Large sums were wasted, however, due to corruption in arms and supply contracts, and extortion among paymasters (Zook, 1961: 240).

Thus, far from being a glorious adventure that would restore the nation's faith, the war turned into a nightmare that made Bolivia even more of a military laughing stock than before. This tragic and avoidable war was fought between two of the world's poorest nations over three long years and claimed the lives of nearly a hundred thousand men out of a total combined population of less than five million. Peace was within reach at almost any time, yet the salty waters of the Atlantic proved to be too much of a lure for Bolivia. Farcau (1996) explains

it is worth noting that the option was far more important to Bolivia than the actual fact of a functioning port. It is hard to imagine that Bolivia could have invested enough resources to connect such a port successfully to the main population and the main population centers on the Altiplano. However, having the option would have enabled the Bolivians to claim, at least to themselves, that they had ceased to be landlocked, even though all foreign trade would still have come through Pacific ports in Peru and Chile (9).

The Chaco War with Paraguay, a much weaker and smaller nation, was intended to restore Bolivian pride and confidence. Instead, like the War of the Pacific, the Chaco War achieved the opposite results and in the process altered Bolivia society irrevocably. Bolivia's defeat in the Chaco War shook the conscience of the country and laid the basis for the great social upheaval of the 1950s, the Bolivian national revolution.

### **Bolivian National Revolution: 1952-1964**

Bolivia's defeat in the Chaco War encouraged the revolution. As a result of the war, disgruntled war veterans and the general population rejected the failed political system of the republican era. The war changed Bolivia's citizens forever and transformed its electorate. Thus, early in April 1952, Bolivia, for the first time in her history, underwent a profound social and economic as well as political revolution. This period in Bolivian history is significant to this study because it demonstrates how

political instability and economic underdevelopment prevents Bolivia from achieving a lasting settlement on the seacoast issue.

The revolutionary government had large goals and, as a result, *hacia el mar* diplomacy was put on the backburner. In a letter dated September 25, 1950, Victor Paz Estenssoro explained why he objected to negotiating with Chile to obtain a sovereign port:

For us [MNR], the problem of a seaport does not figure among the front rank of problems facing Bolivia...It would be more useful and more constructive from the point of view of national interest to place all of our talent, energies and resources in developing the great potential economic and human elements which are found in Bolivia (as cited in Glassner, 1970: 113).

Thus, over the course of a decade, Bolivian and Chilean Foreign Ministers convened only twice (1953 and 1955) and the seacoast issue was not brought up at either conference (Glassner, 1970: 104). However, Gumucio Granier (1986) notes that the issue continued to affect even the revolutionary government:

The Ministry of Foreign Affairs' international policies were oriented towards development. As a result, demands for sovereign access to the sea were temporarily set aside. However, the difficulties in the execution of programs and moderate growth were blamed on Bolivia's dependence on Chilean ports and lack of an adequate system of free transit.

Although, the seacoast issue was virtually ignored by the revolutionary government, it nevertheless made its presence be known, principally in the early 1960s.

Under the government of the Movimiento Nacionalista Revolucionario (MNR) and its charismatic leader, Victor Paz Estenssoro, the revolution opened a process of very important transformations in Bolivia. Between 1952-64 the Bolivian government devoted much of its attention to the creation of bases for solid economic development. The revolution was a democratizing as well as socially distributive revolution. It gave rise to a twelve-year period of civilian rule, with universal suffrage extending the vote to

women and illiterates. Elections were held regularly, opposition parties sustained some representation, the presidency rotated every four years, and freedom of the press was sustained. In addition, the revolutionary government of that period brought about important fundamental changes. It gave the land back to the Indians, nationalized the tin mining enterprises, and started a process of economic development.

### **Nationalization of the Mines**

The innate weakness of the Bolivian economy made the need for nationalizing the mining industry much more pressing than it might otherwise have been. On October 31, 1952, the MNR nationalized the “big three mining” companies of Patino, Hochschild, and Aramayo freeing Bolivia’s government from arrogant domination by a handful of mine owners. To run the new nationalized mining industry, the Corporacion Minera de Bolivia (COMIBOL) was established and inherited control over some two-thirds of the tin mining industry. Medium and small mining companies remained under private ownership (Morales, 2003: 145). It was provided that the companies who previously owned the newly nationalized mines would be compensated for the property that had been taken from them, but the exact details of such compensation were to be worked out later and not provided for in the law (Mitchell, 1977: 55). This compensation, however, proved disastrous for Bolivia’s struggling economy as “the millions ultimately paid in compensation to the big tin interests bankrupted the treasury and aggravated the desperate postrevolutionary fiscal crisis” (Morales, 2003: 146).

The revolutionary government assumed that nationalizing the mines would ensure that mine wealth be reinvested in the country and thus quickly stimulate Bolivia’s economic development. Unfortunately, as Morales (2003) points out,

By 1952 when the decree was passed, tin mining revenue was already in a free fall. Diminished resources, higher extraction costs, and decapitalization had already taken their toll and would continue to do so. Rather than buy Bolivia's economic independence, the nationalization decree ensured the country's economic dependence (146).

As a result, the economic profits that the revolutionary leaders had hoped would result from government ownership of the mines were very slow in coming.

### **Agrarian Reform**

Land reform was a crucial part of the Bolivian national revolution. The 177 clauses of Decree Law 3464, signed by President Paz on August 2, 1953 had six central aims:

1. To provide adequate parcels of land to peasants with little or none, so long as they worked them, expropriating for this purpose *latifundia*<sup>6</sup>
2. To restore to the *comunidades*<sup>7</sup> usurped lands and cooperate in their modernization with full respect for collectivist traditions
3. To secure the complete abolition of *pongueaje*<sup>8</sup>
4. To increase productivity, investment, and technical aid
5. To protect natural resources
6. To promote emigration from the *Altiplano* to the *Oriente* so as to promote development in the Oriente (Carter, 1971: 243).

In short, the MNR's land reform decree intended to provide the dispossessed farmer with a parcel of land so that he could freely harvest it and to sweep away the feudal system of lords and slaves so that the Indian peasants could be transformed into citizens, producers, and consumers in the Bolivian market. As a result, with technical assistance and rural development, Bolivian agriculture would be modernized and produce economic returns.

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<sup>6</sup> Excessively large properties

<sup>7</sup> Corporate Indian communities

<sup>8</sup> Unpaid and involuntary personal services provided to the residences of large landholders e.g. slavery

By 1955, Twenty-four million acres of land had been distributed to 237,000 families. By 1970, 289,000 families had received over 29 million acres of land. Nevertheless, Morales (2003) contends that land reform created a decline in agricultural productivity because it “encouraged parceling of the land into extremely small farms, and these mini-holdings were inefficient and often suffered from chronic capital shortages” (150).

### **Stabilization Plan**

The collapse of the state, the nationalization of the mines, the destruction of the hacienda system...all created havoc in the national economy and in government income. The takeover of the mines drained massive sums from the state coffers, and agrarian reform reduced agricultural deliveries to the cities drastically, thus necessitating massive food imports to prevent starvation. The only way to resolve all of these problems was to increase national currency. The result was one of the world’s most spectacular records of inflation from 1952 to 1956 (Klein, 2003: 216).

The scale of the crisis was impressive and 1956 proved to be the most critical year of all. Faced with a bankrupt economy, an inability to feed its people, and without the necessary funds to carry out the large-scale welfare and reform programs recommended, the regime had no choice but to request economic assistance. Thus, the United States began its aid program to Bolivia. The United States provided Bolivia with enough funds to keep its revolutionary government afloat and its population fed and clothed and thus provided “the social peace that might not have existed had the regime gone unaided” (Klein, 2003: 219).

As a result of this aid, which essentially subsidized the revolutionary regime, the United States was able to pressure the Bolivian revolutionary government into enacting widely unpopular austerity measures in order to recover Bolivia’s economy. Thus, in 1956 President Siles accepted the dictates of the International Monetary Fund (IMF) in terms of national fiscal policy. The United States delivered its “Stabilization Plan” by late 1956, and Bolivia accepted it under IMF auspices in January 1957. This plan

required that Bolivia balance its budget, stop the food subsidization of the miners (*pulperias*), restrict wage increases, establish a single exchange rate, reduce tariffs, increase domestic taxes, and adopt a multitude of other measures restricting government initiative and expenditures (Dunkerley, 1984: 87). Bolivia implemented the measures and the result on its economy was favorable. Klein (2003) notes that, as a result of the Stabilization Plan, “the currency was stabilized, deficits in government spending were cut, and COMIBOL achieved a more balanced budget” (221).

### **Triangular Plan**

Rehabilitation of COMIBOL began under what came to be called the Triangular Plan. The United States government, the Inter-American Development Bank, and the government of West Germany jointly funded this project. By 1961, COMIBOL had outstanding debts in the amount of 20 million dollars. Thus, the Triangular Plan’s fundamental aim was to overhaul and refinance the government entity in order to get it to function more efficiently and generate greater government revenue (Dunkerley, 1984: 105).

The Triangular Plan involved just about the complete reorganization of COMIBOL, great investments in modern machinery, the opening of new tin mines and other metallic ores, in addition to other measures. These measures increased production and eliminated the chronic annual deficit that had plagued COMIBOL. The Triangular Plan proved its effectiveness in 1966 when COMIBOL made a profit of \$4 million (Glassner, 1970: 117).

### **Resurgence of the Seacoast Issue**

A dispute over the waters of the Lauca River disrupted, yet again, relations between the antagonistic nations of Bolivia and Chile who share sovereignty over the river. The

dispute arose after Chile built a new hydroelectric plant in the Andes to provide for the rising demand for power in Arica.

In 1962, the “sluice gates on the Chilean section of the river were opened for the first time to begin the westward diversion of part of the Lauca’s flow” (Fifer, 1972: 89). This action embittered and impassioned Bolivia who responded in protest. The Bolivian government responded by severing diplomatic relations with Chile and bringing the issue to the Organization of America States (OAS) on the basis that the 1933 Montevideo Resolution on International Rivers stipulated “that the formal agreement of both countries was required for such a diversion to be sanctioned” (Fifer, 1972: 89). Chile argued that since Bolivia had not objected in either 1949 or 1960, “when engineers from both countries examined first the proposals and later the nearly completed works” (Fifer, 1972: 90). The OAS declared that it would not involve itself in the Lauca River controversy and that the parties involved should resolve the matter. As a result, Bolivia withdrew from the OAS in September 1962 (Glassner, 1970:105).

Glassner (1970) suggests that “Bolivia’s objections to this diversion [Lauca River] and her campaign for a *‘salida al mar’* are intimately bound up” (104). Ambassador Sarmiento of Bolivia address to the third session of the OAS’ emergency meeting (April 1962), which discussed the Lauca River controversy, supports Glassner’s opinion. He declared:

In this struggle of rights or recoveries, Bolivia has another greater; her enclosure, which places her in cases like the Lauca at a notorious disadvantage in remedying the aggression of which she has been the victim, which would justify legitimate defense.

He continued:

Geographic enclosure is the great problem of Bolivia; from that is derived the gravity that the aggression committed by the Government of Chile has. The system

of free transit in situations such as the present is extremely fragile. With a simple administrative arrangement, without the necessity of force, Bolivia could be blockaded (as cited in Glassner, 1970: 104).

Thus, the entire controversy over the Lauca River was, or at least had become, simply one aspect of the main problem: Bolivia's maritime confinement.

In addition, later that same month Bolivia presented its case of maritime confinement at the 17<sup>th</sup> session of the United Nations General Assembly. At this convention, the Bolivian Foreign Minister reiterated his nations position:

Bolivia is the only country in the world that was deprived of its coastline – that is, more than 150,000 square kilometers – because of an unjust war. In each Bolivian, without exception, there is an unshakable desire to return to the sea. At this time in history...there is no reason that might justify the holding of an entire nation in imprisonment (as cited in Glassner, 1970: 105).

In October 1963, President Paz Estenssoro addressed the United Nations General Assembly and remarked that a sovereign Bolivian seacoast is essential for the development of Bolivia. A few months later, in December 1963, Bolivia declared that it would not participate in the 11<sup>th</sup> Inter-American Conference which was to be held in April 1964 stating that it could not “attend an Inter-American Conference that will not consider our claims to a port on the Pacific” (as cited in Glassner, 1970:111). Thus, all of these Bolivian diplomatic actions confirm that the controversy which stemmed from the diversion of the Lauca River re-ignited *salida al mar* diplomacy, which had been neglected by the revolutionary government.

### **Revolution in Retreat: The Overthrow of Paz Estenssoro**

Between 1963 and 1964 President Paz Estenssoro's position in office was shaken and revolutionary government of the MNR was ultimately destroyed. The controversy arose out of the president's desire for reelection in 1964. Mitchell (1977) contends that the president wanted to remain in office for the sake of Bolivian economic development.

Between 1961 and 1964 the Bolivian economy had grown at four times the rate it had under the Siles administration, and apparently, President Paz Estenssoro became convinced that this growth could only be maintained under his leadership; his opposition, however, did not agree (Mitchell, 1977: 92). Nevertheless, on May 31, 1964 President Paz Estenssoro was reelected to another four-year term without opposition. By September 1964, however, his regime was struggling to maintain control and in an attempt to prevent a coup d'etat, nearly one hundred political opponents were exiled or arrested and the media was censored (Dunkerley, 1984: 118). All of this, however, was in vain because President Paz Estenssoro's major threat was his own vice-president.

On November 3, 1964, a few short months after the presidential election, the army, lead by Vice President General Barrientos declared itself in revolt and demanded the resignation of President Paz Estenssoro. Since, the president was not able to mobilize any part of the army to launch a counterattack against his vice-president, he had no other choice than to step down. Thus, in the early morning hours of the next day, Paz Estenssoro left the Palacio Quemado without resigning the presidency and sought exile in Lima (Mitchell, 1977: 96). The revolutionary phase of the national revolution had come to an end.

A military junta, headed by Vice President Barrientos himself, thus overtook the government. Paz Estenssoro's overthrow marked the return of the army into national politics<sup>9</sup>. The military remained the dominant force in the national government for

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<sup>9</sup> Bolivia's defeat in the War of the Pacific discredited military governments. As a result, the rise of civilian and political parties became both desirable and possible. Military leaders, however, proved to personalistic and military rule lasted only eighteen years.

eighteen years until 1982. Over the course of these chaotic eighteen years, no less than seventeen different presidents ruled Bolivia.

The twelve and one half years of the MNR regime marked the longest period of stable civilian government in Bolivia since the early 1900s. From 1952 to 1964 Bolivian citizens cast their votes in three general elections and witnessed two nonviolent transfers of the presidency from one man to another. Nationalization of the big mining companies, agrarian reform, and universal suffrage were the three central accomplishments of the MNR and constituted the basis of the national revolution. However, Mitchell (1977) considers the revolution a “defeated political effort” (9). Although it was founded on democratic principles, the revolution failed to promote the merits of democracy and political stability. In addition, even though the MNR envisioned the creation of a modern and thriving economy, the problems it’s leaders had to confront such as inflation and debt seemed to trump economic development.

In the 1960s the seacoast issue, which had been virtually ignored by the MNR, was reintroduced into national politics. In 1950, Paz Estenssoro declared that, once Bolivia began to stabilize, grow, and diversify its economy, it “could then enter into a peaceful and cordial negotiation with Chile on the basis of equality which could really be a negotiation for mutual benefit” (as cited in Glassner, 1970: 113). The fact remains, however, that the economic progress and relative political stability that Bolivia enjoyed under the revolutionary regime was short lived and, as a result, it has never achieved economic equality with Chile. Though the Bolivian national revolution accomplished great things, it didn’t accomplish enough. Thus, with regards to Bolivia’s maritime

confinement, the revolutionary period from 1952 to 1964 can be looked upon as a period where economic and political instability prevented a settlement on the seacoast issue.

### **El Banzerato: The Rule of Hugo Banzer Suarez**

From 1964 to 1982, Bolivian politics were dominated by authoritarian regimes whose central pillar was the military. In January 1970, Colonel Hugo Banzer Suarez, the commandant of the Colegio Militar de Bolivia attempted to oust President Torres from office; however, the army remained loyal to the president and his attempt was effectively thwarted. The revolt which lasted only a few hours, succeeded in getting Banzer exiled to Argentina.

Banzer finally seized power in August 1971. The rebellion began on August 18, 1971, when Banzer was found and arrested in Santa Cruz. This second insurgency was better backed than the first. Anti-government forces such as the Falange Socialista Boliviana (FSB), fragments of the MNR, and the anti-Torres military joined Banzer's rebellion. What resulted was the bloodiest overthrow since the national revolution in 1952, which left several hundred dead (Whitehead, 1986: 57). By August 22, 1971, the Torres regime had collapsed and Banzer was freed, declaring himself president before other contestants could lodge their claims. He ruled Bolivia for almost exactly seven years. His regime was the country's longest in over a century, spanning the bulk of a decade in which open political activity was the exclusive prerogative of the military and its closest collaborators (Morales, 2003: 186-188). In June and November 1974, the military attempted to oust President Banzer. In order to prevent a successful coup, President Banzer reasserted control by launching a "self-coup" in which he purged the military and banned all opposition party activity (Morales, 2003: 189).

### **Economic Development: 1971-1978**

Dunkerley (1984) explains that under the Banzer regime,

The matrices of Bolivia's economy were transformed almost to the same degree as the country's politics, these alterations being trumpeted so loudly that it seemed to many that a new era had indeed arrived...economic management was handed over to the enthusiastic acolytes of Milton Friedman and the 'Chicago School' of free-marketeers who dismantled the apparatus of protectionism, pared down state enterprise, scythed through welfare expenditure, and made a frontal assault on wages (202).

Banzer's economic strategy included the attraction of direct foreign investment by removing all but the most minimal constraints on capital. Thus, Banzer decreed a new investment law, which gave foreign capital outstanding terms and effectively eliminated the Andean Pact's limitations on the repatriation of profits. Subsequently, Banzer decreed the 1972 hydrocarbons law, which effectively dissolved the Bolivian State Petroleum Enterprise's (YPFB, which stands for Yacimientos Petroliferos Fiscales Bolivianos) monopoly and forced it to hand out contracts to foreign firms (Dunkerley, 1984: 204).

In October 1972, the regime devalued the peso by 67 percent so that it could secure a \$24 million loan from the IMF. This devaluation increased the cost of living by 39 percent over the course of the subsequent year while wage increases were limited to 20 percent at the maximum (Ramos Sanchez, 1982: 180). Then, in decrees enacted in January 1974, Banzer removed or substantially reduced state subsidies on a range of basic goods and services. The subsidy on flour alone amounted to \$20 million a year, a considerable saving for the state. As a result of this action, the cost to the consumer of for basic necessities such as cooking oil, eggs, sugar, coffee, meat, rice, and pasta rose by an average of 219 percent, which gave rise to clashes between the people and its government (Ramos Sanchez, 1982: 184).

Nevertheless, Bolivia enjoyed relative prosperity during the Banzer regime. By the early 1970s, Bolivia was beginning to benefit from the economic benefits of the economic and social programs carried out during the national revolution. The development of a modern road system, the growth of commercial agriculture in the Santa Cruz region, and heavy foreign investments in COMIBOL and especially YPF – combined with rising mineral prices on the international market – produced major growth in the national economy. From 1970 to 1974, the value of Bolivian exports almost tripled (from \$226 million to \$650 million). Between 1973 and 1974 the price of tin on the world market almost doubled, which in turn resulted in a doubling of the total value of national exports and the creation of the largest trade surplus in national history. Furthermore, rising oil prices suddenly turned Bolivia's relatively small oil output into a bonanza export, which in 1974 accounted for 25 percent of the total value of exports. (Klein, 2003: 227-231). The economic boom, however, faded and the returns were sadly wasted.

None of the elements of the regime's economic policy, however, had more of a profound and lasting effect on Bolivia's fragile economy as the Banzer government's recourse to loans since, in the absence of any meaningful direct foreign investment, the policy of rapid growth had to be financed by foreign debt. In 1971 the foreign debt stood at \$782.1 million. By the end of "el Banzerato," foreign debt had risen to \$3,101.8 million. To make matters worse, this increase was not matched by a corresponding rise in exports. As a result, the debt service rose from 17.3 to 32.0 percent of export value over the same period (Ramos Sanchez, 1982: 117). Excepting 1974, the year blessed by oil price rise, every year of President Banzer's rule ended with a balance of payments.

### **Banzer and Pinochet: A Quest for Bolivian Sovereignty on the Pacific**

In seeking to develop civilian support. President Banzer actively reopened discussion on the “question of the Pacific” at the end of 1971. This effort included a renewal of diplomatic relations with Chile, which had been broken off in 1962 over Chile’s claims to the Rio Lauca, and proposals by the Bolivian government that the Treaty of 1904 be renegotiated with the intention that Chile grant Bolivia a sovereign port on the Pacific Ocean. On May 21, 1971, in his first message to Congress, Chilean President Salvador Allende proclaimed that Chile was “united to Bolivia by common feelings and interests” and that it was Chile’s “will to give everything that is within our [Chile’s] reach in order to normalize relations” (as cited in Gumucio Granier, 1988: 210). As a result, the two nations arranged for a meeting to discuss Bolivia’s maritime confinement in October 1973. However, the violent overthrow of President Allende in September 1973 postponed these negotiations (Gumucio Granier, 1988: 211).

In 1974 Chile formally recognized the importance of a sovereign seaport for Bolivia (Ferris, 1984: 181). Diplomatic relations were reopened in February 1975 following the famous public *abrazo* shared by President Banzer and President Pinochet at the Bolivian border village of Charana (Dunkerley, 1984: 234). In December 1975, a Chilean proposal provided Bolivia with an outlet to the sea north of Arica in exchange for Bolivian territory equal to the area that would be ceded by Chile (Morales, 1992: 177).

There were two major difficulties with the Chilean proposal that proved insurmountable, as President Pinochet undoubtedly knew they would. 1) The territory that Chile proposed to cede had been taken from Peru, not Bolivia in the War of the Pacific, and according to the Treaty of Santiago (see Chapter Two), the territory in question could only be transferred with Peru’s approval. 2) Chile’s proposal provided for

Bolivia to give Chile certain territories in exchange for the port; however, both Chile and Bolivia disagreed on this point. Bolivians generally rejected the concept of a territorial exchange, while Chile insisted on a quid pro quo.

Furthermore, key political groups opposed the Banzer negotiations. Dunkerley (1984) notes that, over the course of the negotiations, “press criticism was unusually forthright and the agitation of... the army found sufficient resonance to force the regime to draw back from signing any accord” (235). Negotiations continued to draw fierce criticism in 1976 and at the end of the year the Bolivian media published maps of the border area showing a large portion of Bolivian territory under Chilean sovereignty. Despite Banzer’s desperate attempts to extract a solution at any cost, including acquiescing to a territorial exchange, nothing could be extracted from Pinochet, and by the end of 1976 all negotiations came to a grinding halt (Klein, 2003: 233). By 1977, the diplomatic opening had come to an abrupt end. Bolivia severed diplomatic relations with Chile in 1978, and maintained only consular relations, thus reverting to the situation between 1962 and 1975.

Bolivian politicians over the decades have selectively manipulated the seaport issue to enhance their domestic political support. President Banzer was no exception and, for a while, he benefited politically from Bolivia’s maritime confinement when he reestablished diplomatic relations with Chile and opened negotiations with President Pinochet for a territorial exchange. However, negotiations failed and Banzer did not resolve the question of the Pacific before the hundredth anniversary of the War of the Pacific in 1979 and thus Banzer was no longer able to use the negotiations to distract public attention from the regime’s domestic problems.

Morales (1984) suggests that “the diplomatic failure [Banzer-Pinochet negotiations] demonstrated the close relationship between internal instability and lack of foreign policy success” (Ferris, 1984: 181) Banzer’s diplomatic efforts over three years gained little domestic support; rather the constant criticism revealed domestic divisions that undermined his foreign policy and ultimately backfired against him. Anti-Chilean sentiment had been awakened by his unsuccessful attempts to reach a compromise with Pinochet. Thus, instead of legitimizing his rule, foreign policy was used by the opposition to destabilize him.

The economic instability and failure of foreign policy, which Bolivia experienced under the rule of Hugo Banzer Suarez, reminded the regime’s political opposition, as well as the Bolivian people of the merits of democracy. Why suffer under the brutal regime of a dictator if even he cannot succeed in providing Bolivia with its most basic needs? Thus, no longer able to rely on Bolivian nationalism over the seacoast issue with Chile to generate support for his regime, Banzer had no other choice than to fold under the political pressure of the United States and the opposition parties in office. He promised to retire at the end of 1977 and to hold elections in 1978.

The Banzer regime’s economic policies, especially its recourse to foreign loans, severely damaged the Bolivian economy and thus hampered its economic development. As Victor Paz Estenssoro noted in 1950, if Bolivia wished to enter into successful negotiations with Chile, it would need to do so on the basis of equality (Glassner, 1970: 113). Both President Banzer and President Pinochet ruled as dictators. Thus, politically speaking, Bolivia and Chile could have been considered equal in that respect. However, although Pinochet ruled Chile with an iron fist, it did not suffer economically as Bolivia

suffered under the economic policies of Hugo Banzer. Thus, even one hundred years after Bolivia lost its littoral to Bolivia in the War of the Pacific, economic underdevelopment and political instability hampered the 1975-78 Bolivian-Chilean negotiations thus preventing a favorable resolution. In addition, the lack of a resolution caused political instability, under which President Banzer resigned. Dunkerley (1984) explains that “the form in which Banzer’s extended rule was eclipsed soon proved to be of more than passing importance; indeed, it provided the framework for the apparently endless political crisis that followed” (231). This political “crisis” ended in 1982, when democracy was finally installed in Bolivia.

## CHAPTER 4 INTERNATIONAL SUPPORT FOR BOLIVIA'S QUEST FOR A SEACOAST

Prior to 1979, Bolivia's quest for an outlet to the sea was regarded as a regional dispute between Bolivia, Chile, and to a lesser extent, Peru. In 1979, the Organization of American States (OAS) identified Bolivia's landlocked status as a hemispheric problem that needed to be solved within a hemispheric framework. Since then, several international organizations have supported resolutions approved by the OAS calling for negotiations between Chile and Bolivia aimed at granting Bolivia an appropriate free and sovereign access to the Pacific Ocean.

Bolivia had long sought the support of international organizations and foreign and regional powers since it believed that this backing would help her achieve her ultimate goal: obtain an outlet to sea. Bolivia received this recognition in the early 1980s; however, even with the support it had so desperately pursued throughout the last century it was not able to obtain a favorable resolution on the "question of the Pacific" and thus remained landlocked. Why was Bolivia unable to take advantage of the international recognition to pressure Chile and Peru into recognizing a Bolivian sovereign port in Arica? The answer draws us back to the central thesis. Political instability and economic underdevelopment prevented Bolivia from achieving a favorable settlement regarding the seacoast issue.

### **International Recognition of Bolivia's Landlocked Status**

Previous chapters have elucidated that Bolivia has never accepted her "coastal mutilation" (Gumucio Granier, 1986: 9). For more than a century, Bolivian governments

have been making persistent efforts to find a solution to the seacoast problem through direct negotiations with Chile. In the 1980s, Bolivia finally succeeded in gaining the attention of the nations of the hemisphere. These nations have encouraged a solution to the Bolivian issue, which they regarded as significant for the entire American hemisphere. Thus, from 1979 onward, Bolivia campaigned for a sovereign exit to the Pacific Ocean with the involvement and diplomatic and political support of the OAS, the non-aligned movement, and the United Nations.

In early September 1977, United States President Carter signed over the Panama Canal to Panama. At this time, President Carter met individually with each president of the hemisphere and used these occasions to discuss with Peru and Chile, the Bolivian maritime question. A few days later, Carter met with Bolivian President Hugo Banzer. Following the meeting, President Carter issued a statement to the press stating:

We have examined in some maps the possible exit to the sea for Bolivia, precisely through the north part of Arica. Our hope is that Bolivia, Chile and Peru would be able to reach an agreement with regard to a corridor that would allow Bolivia to have a direct access to the sea through Bolivian territory (as cited in Gumucio Granier, 1988: 215).

President Carter, however, identified the problem as one of a tripartite nature and supported direct negotiations between the concerned parties as the best way to reach a solution. However, as we have seen in Chapter Three, this method was not successful as the Banzer-Pinochet negotiations failed and relations between Bolivia and Chile were consequently severed in 1978. Nevertheless, at the Eighth General Assembly of the OAS, President Carter, in assuming a clearer and more defined position on the landlocked status of Bolivia, encouraged other international entities to consider Bolivia's case.

In one year's time, it will be a century since the War of the Pacific. We should view this occasion as an opportunity to reaffirm our commitment to harmony in this hemisphere. The difficult decisions in their region can only be made in Bolivia, Peru and Chile. But we stand ready with the OAS, the U.N., and other countries to help find a solution to Bolivia's landlocked status that will be acceptable to all parties and will contribute to permanent peace and development to the area (as cited in Gumucio Granier, 1988: 216).

Bolivia introduced the issue of her maritime confinement at the Ninth General Assembly of the OAS at the end of October 1979. The Bolivian government had previously requested that the OAS include Bolivia's landlocked status in the agenda. The United States voted in favor despite the Chilean ambassador's objections. As a result, the Ninth General Assembly of the OAS adopted a resolution, which stated:

It is of continuing hemispheric interest that an equitable solution be found whereby Bolivia will obtain appropriate sovereign access to the Pacific Ocean, and... there should be negotiation for the purpose of providing Bolivia with a fee and sovereign territorial connection with the Pacific Ocean (as cited in Gumucio Granier, 1988: 217).

Thus, the 1979 OAS resolution affirmed Bolivia's right to a sovereign exit to the Pacific Ocean. As a result, the seacoast issue was included in the regular sessions of the OAS from 1979 through 1983 (Morales, 1992: 178). In 1982, Bolivia's plight was the special concern of the "Small Island and Landlocked Developing States" resolution adopted by the OAS and in the "Report on the Maritime Problem of Bolivia" in the fall of 1982 (Morales, 1992: 178). Even with hemispheric pressure, Bolivia was not able to obtain sovereign access to the sea from her neighbors.

Bolivia's plight was also considered by several other international organizations. Its maritime confinement was brought up at the Thirteenth Foreign Ministers meeting of the La Plata Basin Group in Brasilia in December 1982 where Argentina, Paraguay, and Uruguay expressed their support for a resolution to Bolivia's landlocked status and its democratization. The seacoast question also figured prominently at the Andean Pact

parliament in March 1983, and at the Caracas bicentennial celebration of Simon Bolivar's birth in May of the same year. Bolivia's multilateral foreign policy campaign to regain its lost maritime port was also acknowledged at the Seventh Summit meeting of the Non-Aligned Movement held in New Delhi in March 1983 and at the Fifth meeting of the Group of 77 in Buenos Aires in April 1983. In addition, Bolivia was able to successfully pursue the issue in bilateral talks with the governments of France, Spain, Argentina, Brazil, Panama, and Yugoslavia (Ferris and Lincoln, 1984: 191).

As a result of the 1983 OAS General Assembly in Washington, Colombia offered to host a meeting on the maritime problem in Bogotá. However, in February of 1985, Chile announced that it no longer recognized the competence of the OAS over this dispute and noted that it would only negotiate with Bolivia on a bilateral basis (Gumucio Granier, 1988: 218). In 1987, Bolivia attempted once again to engage Chile in bilateral negotiations and presented a proposal for the solution of the conflict to the Chilean government. Uruguay hosted the negotiations in April of the same year. Unfortunately, however, "that basis for an understanding of mutual benefit, which would have opened up prospects and good possibilities of integration, peace, and development was rejected by President Pinochet...thus cutting off the negotiations" (Gumucio Granier, 1988: 219). As a result of Chile's actions, the OAS General Assembly passed a new resolution, which deplored Chile's attitude and called on both governments to reinstate negotiations directed to solve Bolivia's maritime confinement through the grant of a sovereign and useful port on the Pacific Ocean.

In his book, the "United States and the Bolivian Seacoast," Gumucio Granier (1988) suggested that

Bolivia's success in having the countries of the region finally declare that its landlocked status was a problem with hemispheric dimension together with the U.S. fear that this problem could potentially contribute to an East-West confrontation created a new situation, which could lead to a final settlement for Bolivia's confinement (220).

However, in this assumption, the author failed to consider how Bolivia's political and economic situation relates to a favorable settlement on the seacoast issue.

### **Political Instability**

In his book, "The Ten Cents War" Bruce Farcau (2000) quotes a popular Bolivian adage: "Bolivia is the land where any boy can grow up to be president, and many of them do!" (22). There is no time in Bolivian history that this quote was more applicable than the three-year period from 1978 to 1980.

Following the overthrow of President Banzer, Bolivia plunged into political chaos. Between July 1978 and July 1980 two further general elections were staged, five presidents held office (none of them as a result of victory at the polls), and of the cluster of coups under almost constant preparation, four were attempted, one failing and three successful. Whitehead (1986) rightly describes this historic time as a "two-year interregnum, rival civilian factions intensified their bids for military support, successive generals attempted to hold the reins of power, and fresh election were alternately approved then postponed" (62).

In 1977, President Banzer declared that elections would be held in June 1978. These elections were indeed held and Juan Pereda Asbun, the military's official candidate having the supposed blessing of President Banzer, was declared the victor. However, the opposition parties protested the electoral results suggesting that they were fraudulent. This charge was substantiated by the fact that the number said to have voted exceeded by 50,000 the number of registered voters. As a result, even the victor conceded that the

electoral results were fraudulent and the results were canceled. Subsequently, Asbun led a rebellion in Santa Cruz, which demanded the resignation of President Banzer. Upon Banzer's resignation, General Pereda Asbun was inaugurated as Bolivia's new president on the grounds that he had "won" the election (Alexander, 1982: 114).

The government of President Pereda Asbun was provisional. New elections were supposed to be held soon after Pereda Asbun was inaugurated, however these were postponed until "sometime" in 1980. In order to gain political favor, Pereda Asbun exploited Bolivia's landlocked status suggesting that it would be illogical to hold elections in 1979 because Bolivia required a strong and stable government during the centenary of the War of the Pacific. (Dunkerley, 1984: 252). The political opposition was not pleased by the electoral postponement and at the end of November 1978 President Pereda Asbun was overthrown by yet another military coup d'état led by army commander General David Padilla. Padilla's provisional government, however, stated that its only objective was to prepare and preside over new elections, which were held on July 1, 1979.

The election of 1979 was extraordinary, one of the most honest elections in national history. It brought more than 1.6 million Bolivians to the polls (Klein, 2003: 236). Nevertheless, since none of the candidates received a majority of the vote, the election outcome was placed in the hands of Congress. The Bolivian legislature elected Walter Guevara Arze as interim president to serve until new elections could be held in 1980. President Guevara Arze was inaugurated on August 6, 1979 and elections were scheduled for May 1980. The administration of Guevara Arze lasted only a few months and was temporarily overthrown by a military junta led by Colonel Natusch Busch in

November 1979. But the political opposition within the nation was so intense that the military was forced out within a few weeks and a compromise civilian, Lydia Gueiler Tejada, was provisionally put into office and elections were held in May 1980 (Alexander, 1982: 115-116).

The results of the May 1980 election were almost identical to those of 1979. Hernan Siles Suazo won the election, however, he did not do so with a majority. Thus, once again, the election was to be decided by the Bolivian legislature. This time, however, it was rumored that Congress was ready to elect ex-President Siles to a second term in office (Alexander, 1982: 116). Congress, however, was not given the opportunity to select the next president of the republic as General Luis Garcia Meza, commander of the army, instigated a revolt and installed himself as dictator in July 1980 (Klein, 2003: 237). In an interview with a Chilean magazine, President Garcia Meza boasted, "I will stay in power for twenty years, until Bolivia is reconstructed. My government has no fixed limits and in this sense I am like General Pinochet" (as cited in Dunkerley, 1984: 292). In August 1981, Garcia Meza was forced out of office by his fellow officers; his regime lasted one-year and eighteen days (Alexander, 1982: 117). Generals Celso Torrelio Villa and Guido Vildoso succeeded President Garcia Meza. Morales (2003) posits that, throughout the fourteen months the generals spent in office,

The most they achieved was a tepid normalization of Bolivia's foreign relations with the United States and the international community. The generals could not restore civilian respect for or trust in the government. Civilians were not fooled by the unimaginative musical chairs; the corrupt face of the generals was one and the same in their minds.

When General Vildoso announced in July 1982 that new elections were to be held the following year, the nation exploded in protest.

Civil society wanted elections and constitutional legitimacy immediately. There were daily strikes and protest marches in La Paz and across the country. A demonstration by 50,000 angry civilians in early September finally convinced Vildoso that the military had to leave.

The voice of the Bolivian people was heard and on September 17, 1982, General Vildoso resigned the presidency. The forced resignation of the last military junta and the decision to recall the congress that was constitutionally elected in 1980 finally brought an end to the era of military authoritarian regimes. As a result, the reconstituted Congress revalidated the results of the 1980 elections and Hernan Siles Suazo was sworn in as the constitutionally recognized president on October 10, 1982.

From June 1978 to October 1982<sup>1</sup>, Bolivia was ruled by eight different presidents, none of which were constitutionally elected. This political frenzy resulted in a further damaged economy. Dunkerley (1984) explains that

After 18 months of the International Money Fund's (IMF) boycott, carefree military spending, incompetent and corrupt financial management, the foreign debt crisis had acquired unprecedented proportions. By the end of 1981 the Banco Central had only \$1 million of disposable reserves in its vault. Furthermore over the previous year the price of tin had fallen by over 18 percent and COMIBOL's deficit stood at \$313.5 million. Technically the Bolivian economy was bankrupt, in practice its current account was kept marginally afloat by revenues from cocaine, but the legal economy had been driven into a process of contraction from its previous parlous state. In 1980 the overall growth figure was 0.9 percent compared with 2.0 percent in 1979; this figure represented a reduction of the country's per capita GDP of 1.8 percent (340).

Thus, although the inauguration of President Siles marked Bolivia's return to civilian rule and democracy, it did not mark a new era in the country's economy. The economy inherited by the Siles administration in October of 1982 was in tatters and the situation would only worsen in the rest of the decade.

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<sup>1</sup> 1978: Juan Pereda Asbun; 1978-1979: David Padilla Arancibia; 1979: Walter Guevara Arze; 1979: Alberto Natusch Busch; 1979-1980: Lydia Gueiler Tejada; 1980-1981: Luis Garcia Meza Tejada; 1981-1982: Celso Torrelio Villa; 1982: Guido Vildoso Calderon; 1982-1985: Henan Siles Suazo

A Chilean diplomat once commented during the heat of a new *salida al mar* movement by Bolivia that a lack of national stability and unity was Bolivia's greatest problem (Ferris, 1984: 179). He was not misguided. Throughout the late 1970s and the late 1980s Bolivia was racked by political instability, which in turn bankrupted its economy. Thus, it is reasonable to conclude that political and economic instability prevented Bolivia from obtaining a favorable settlement on the seacoast issue. These three factors are so intertwined that, even though Bolivia benefited from significant regional and international support for her cause, it was unable to capitalize on it to answer the "question of the Pacific" and resolve her landlocked status.

### **The Bolivian Gas War**

Bolivia started exporting gas to Argentina in the 1970s under a 20-year contract. However, Argentina discovered abundant reserves of its own and thus had no need to export large quantities of gas from Bolivia. Over the 20-year period, Bolivia made \$4.5 billion from its contract with Argentina (IEA, 2003: 135). Brazil began to import natural gas from Bolivia in July 1999 under a 20-year contract. A 1,800 km pipeline from Santa Cruz to Sao Paulo was constructed for this purpose.

By 2002 Bolivia's reserves had expanded ten-fold and, as a result, Bolivia began to seek new customers. A consortium including Spain's Repsol YPF, Britain's BG, and Pan-American Energy (Pacific LNG), proposed a plan to pipe gas from their Margarita field in Tarija to the Pacific coast, and thence to Mexico and California. The Bolivian plan called for a large cooling plant at a Pacific port, to liquefy the gas for pumping aboard tanker ships. The Pacific LNG consortium supports a port in Chile, as the Chilean coastline is closer and the cost of the pipeline would be lower. However, this option

aroused passionate opposition among Bolivians, which ultimately resulted in considerable political unrest (IEA, 2003: 137).

Gonzalo Sanchez de Lozada was inaugurated for a second term as president on August 6, 2002. From the beginning, President Sanchez did not benefit from an overwhelming popularity. In the election of June 30<sup>th</sup>, 2002 he earned less than 23% of the vote and inherited a poor and troubled country with a battered economy; a combination, which would prove disastrous for his administration. In addition, the new government faced an immediate controversy, which had been bequeathed by former President Quiroga: the Pacific LNG plan to export gas via a pipeline to the Pacific coast. Prior to taking office, President Sanchez de Lozada had implied that he supported the Mejillones option; however, he made no “official” declaration of intent.

Perhaps in an attempt to arouse patriotic fervor for his administration, Vice President Carlos Mesa presented the issue of Bolivia’s landlocked status to the 58<sup>th</sup> Session of the United Nations General assembly September 2002. He declared that

Today, more than ever before, I want to reaffirm at this forum that Bolivia will never relinquish its just claim for a sovereign access to the Pacific Ocean, because it was born as an independent Republic with a seacoast. This demand, which is already more than one hundred years old, is not the result of obstinacy or caprice but the shortage of economic resources and huge geographic handicaps that diminish our market competitiveness.

The fact of having been landlocked holds back not only our economic growth but also the welfare of our citizens as the analysis of the challenges faced by all landlocked countries has shown.

The restoration of the status of a coastal state is an act of justice and it has been for us unavoidable. In this understanding, we will continue searching for solidarity and support from the international community.

Our vocation and determination towards integration and economic complementation with neighboring countries lead us to call upon the Government and people of Chile to act looking at the future, by repairing a historical damage that has kept us anchored in the seventeenth century (Mesa, 2002).

Nevertheless political unrest was triggered by President Sanchez's administration's plans to export Bolivia's natural gas reserves through Chile. On September 19 2003, a group of thirty thousand (30,000) people in Cochabamba and fifty thousand (50,000) in La Paz gathered to protest against the pipeline. The following day, six people were killed when government forces used planes and helicopters to get around the protesters in order to evacuate several hundred tourists that had been stranded by road blockades (LatinNews Daily: 07/22/03). In response to the shootings, Bolivia's Labor Union (COB) called a general strike on September 29, which paralyzed the country with more road blockades. Demonstrators insisted they would continue to display their dissatisfaction until the government backed down on its decision to export Bolivia's natural gas through Chile.

On October 12, 2003, martial law was imposed in El Alto after sixteen people were killed and several dozen were wounded in violent clashes that erupted between the protesters and Bolivian armed forces. On October 13, the administration of Sanchez de Lozada suspended the gas project; nevertheless, Vice President Carlos Mesa condemned what he referred to as the "excessive force" used in El Alto and withdrew his support for the president. A few days later, on October 18, the administration was destabilized when the New Republic Force (NFR) party withdrew its support. President Sanchez de Lozada was forced to resign and was replaced by his vice president, Carlos Mesa, at which time all demonstrations ceased. President Mesa promised to "respond to the gas issue [with] the participation of the Bolivian people," and as a result, made plans for a referendum (as cited in Latin American News: 29 Oct. 2003).

In April 2004, President Mesa set Tuesday, July 18, 2004 as a date for a long-promised referendum on how Bolivia vast gas reserves should be exploited (Heaney, 2004: 3). In addition, the president announced his decision to authorize temporary gas exports to Argentina. As a result, five thousand miners and their supporters marched through La Paz protesting against the decision. Their discontent stemmed from the fact that the gas provided to Argentina could be exported to Chile. The government insisted that the deal with Argentina would only be for six months and that none of the Bolivian gas would be exported to Chile. Nevertheless, the demonstrations were all too reminiscent of those, which prompted President Sanchez's resignation in October (LatinNews Daily, 04/16/04).

On July 18<sup>th</sup>, 2004 the referendum took place in Bolivia. Bolivian's were asked the following five questions:

1. Do you agree that Hydrocarbons Law (No. 1689), enacted by Gonzalo Sánchez de Lozada, should be repealed?
2. Do you agree that the Bolivian State should recover ownership over all hydrocarbons at the wellhead?
3. Do you agree that Yacimientos Petrolíferos Fiscales Bolivianos [YPFB; the state-owned oil company privatized under Sánchez de Lozada] should be re-established, reclaiming state ownership of the Bolivian people's stakes in the part-privatized oil companies, so that it can take part in all stages of the hydrocarbon production chain?
4. Do you agree with President Carlos Mesa's policy of using gas as a strategic recourse to achieve a sovereign and viable route of access to the Pacific Ocean?
5. Do you or do you not agree that Bolivia should export gas as part of a national policy framework that ensures the gas needs of Bolivians; encourages the industrialization of gas in the nation's territory; levies taxes and/or royalties of up to 50% of the production value of oil and gas on oil companies, for the nation's benefit; and earmarks revenues from the export and industrialization of gas mainly for education, health, roads, and jobs (wordiq.com)?

The majority response to all five questions was “yes.”

In April 2004, "LatinNews Daily" reported that Mesa had told Peruvian President Toledo that Bolivia wanted to export its natural gas to the United States and Mexico via a Peruvian port (04/15/04). However, as of this writing, there has been no final decision on whether Bolivia's gas reserves will be exported through Peru or Chile.

The Bolivian Gas War of 2003 is one example of the political instability that has been endemic to the Republic of Bolivia. It is clear that the gas war has roots that run deeper than natural gas. The dispute traces back more than 100 years when the port of Mejillones was under the sovereignty of Bolivia. Its outcome sent a clear message to the world. Bolivian citizens are outraged that they still do not possess a sovereign maritime port and are willing to go to great lengths in order to obtain one.

If it had possessed a sovereign port to the Pacific, Bolivia would not have had to decide whether to export its natural gas through Chile or Peru as the gas would simply have been pumped through Bolivia. Thus, it is fair to say that the lack of a settlement on the seacoast issue is responsible for the political instability e.g. violent demonstrations that beleaguered Bolivia and prompted the resignation of President Sanchez in the fall of 2003. It is also fair to say that the Gas War has hindered Bolivia's economic development. The gas project was Bolivia's best hope for substantial economic growth. In March 2002, "The Economist" reported that Bolivia's oil and gas exports could have amounted to \$1 billion a year, and government revenues from the industry could have risen to \$480 million a year (2002: 43). In 2003, the IMF estimated that Bolivia's oil and gas sector could have added an average 1% Gross Domestic Product (GDP) growth over the next five years (Economist, 9/13/03). Sadly, Bolivia has not yet benefited from this potential growth because its landlocked status, which was forced upon it after it was

defeated in the War of the Pacific, caused political instability, which prevented Bolivia from profiting from its vast natural gas reserves thus obstructing economic development.

## CHAPTER 5 CONCLUSION

Each year, Bolivia's presidents mark the "Day of the Sea," often with a vow to recover a Pacific port. The landlocked navy has not been disbanded; it chugs forlornly around Lake Titicaca. Maps in barracks, and in the offices of some politicians, still show Bolivia's pre-1879 boundaries. School children learn that they have an inalienable right to the coast. The seacoast issue is ingrained in the country's national psyche.

Wednesday October 20, 2004 marked the 100<sup>th</sup> anniversary of the peace and friendship treaty that established the territorial limits between Bolivia and Chile following the War of the Pacific (1879-1884). By this treaty, Chile retained approximately 62,000 sq mi of territory belonging to Bolivia including 187 miles of shore, four main ports and seven coves. Thus, the stroke of a pen confirmed that Bolivia lost a fourth of its territory and became the landlocked nation it is today. For more than one hundred years, Bolivians have waged a relentless campaign to reverse the encirclement and redress the defeats of their history.

Bolivian domestic instability, although it often hampered success in foreign affairs, generally did not disrupt the relative constancy of Bolivia's overall foreign policy objective: the obtention of a sovereign seacoast. Bolivia resisted the geographical confinement imposed upon her by Chile after its victory in the War of the Pacific. From the Truce Pact of 1884 to the Gas War of 2003, diverse political strategies have been attempted to settle the "question of the Pacific" as it pertains to Bolivia's access to the sea.

Chapter three introduced four different time periods in which Bolivia used diverse political strategies in order to solve her maritime confinement. Her diplomatic quest began in the 1920s when she sought to be included in the negotiations over Tacna and Arica. The United States refused to include Bolivia in the Tacna-Arica negotiations stating that the issue was uniquely a bilateral one between the nations of Chile and Peru. Although Bolivia was not a party to the Tacna-Arica negotiations, the subsequent treaty, which was signed by Chile and Peru under the good offices of the United States, did include it. Essentially, Article Three of the Treaty of Santiago (1929) ensured that Bolivia would never be able to negotiate for a sovereign port in Arica since any settlement it obtained from Chile would have to receive approval from Peru; and although rhetorically supports a sovereign Bolivian outlet to the sea, she would never agree to one in the port of Arica. Thus, it can be said that American diplomacy failed Bolivia by not admitting it as a party to the negotiation even though it was included in the final treaty.

The Treaty of Santiago effectively barred Bolivia from the Pacific Ocean. In her desperation, she turned her gaze towards the Atlantic. What resulted was the Chaco War (1932-35). Bolivia suffered a humiliating defeat at the hands of a smaller and weaker Paraguay and her claims to the Paraguay River were denied. Instead of glorifying Bolivia, the Chaco War triggered political instability and further damaged Bolivia's weak economy.

Bolivia's humiliating defeat in the Chaco War encouraged the revolution (1952-1964). The revolutionary government had other goals and put, "hacia al mar" diplomacy on the backburner. Victor Paz Estenssoro subscribed to the idea that it was impossible to

speak of an effective solution to Bolivia's landlocked status without first achieving internal stability and unity, which would permit it to negotiate with Chile under conditions of equality. Although the revolution was democratizing and socially distributive, it lasted only twelve years. The revolutionary government was overthrown by the military before it could increase Bolivia's power and influence.

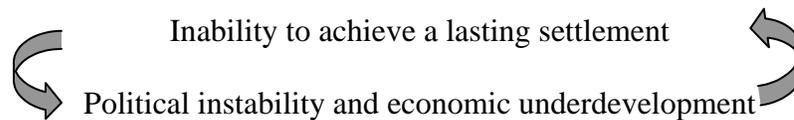
Bolivia was ruled by military regimes for eighteen years. President Banzer was in office for almost half of this time. From 1975-1978 President Banzer was involved in negotiations with Chilean President Pinochet over the seacoast issue. However, no settlement was reached at this time. Shortly after negotiations ceased, President Banzer was forced to resign and a two-year period of political and economic chaos ensued.

Chapter 4 introduced Bolivia's quest for a seacoast from a different perspective. In 1979 the Organization of American States (OAS) identified Bolivia's landlocked status as a hemispheric problem that needed to be solved within a hemispheric framework. Following the OAS' lead, several international organizations supported resolutions, which called for negotiations between Chile and Bolivia aimed at granting Bolivia an appropriate free and sovereign access to the Pacific Ocean. Bolivia had long sought the support of international organizations and foreign and regional powers since it believed that this backing would help her achieve her ultimate goal: obtain an outlet to sea. Bolivia received this recognition in the early 1980s; however, even with the support it had so desperately pursued throughout the last century it was not able to obtain a favorable resolution on the "question of the Pacific" and thus remained landlocked. Bolivia was unable to take advantage of this international support for her seacoast issue because it was at that time overwhelmed by political instability.

The Bolivian Gas War of 2003 is a recent example of the political instability that has been endemic to the Republic of Bolivia. It is clear that the gas war has roots that run deeper than natural gas. The dispute traces back more than 100 years when the port of Mejillones was under the sovereignty of Bolivia. Its outcome sent a clear message to the world. Bolivian citizens are outraged that they still do not possess a sovereign maritime port and are willing to go to great lengths in order to obtain one.

If it had possessed a sovereign port to the Pacific, Bolivia would not have had to decide whether to export its natural gas through Chile or Peru as the gas would simply have been pumped through Bolivia. Thus, it is fair to say that the lack of a settlement on the seacoast issue contributed to the political instability i.e., violent demonstrations that beleaguered Bolivia and prompted the resignation of President Sanchez in the fall of 2003.

**Return to the Central Question.** The central question that this thesis posed is: What are the causes that have prevented a settlement and left Bolivia's "question of the Pacific" unanswered? In Chapter 1, I proposed the vicious cycle thesis, created by the seacoast conundrum.



My study has further demonstrated that Bolivia's inability to achieve a lasting settlement on the seacoast issue contributed to political instability and economic underdevelopment (and vice versa). Two events in Bolivian history especially demonstrate that the lack of a settlement has prompted political instability and brought about economic underdevelopment. Bolivia's involvement and defeat in the Chaco War,

which was spurred on by Bolivia's inability to achieve a lasting settlement on its seacoast issue during the Tacna-Arica negotiations, caused political instability and economic underdevelopment. Another example is the Bolivian Gas War of 2003. The lack of a settlement on the seacoast issue directly caused the gas war. Since Bolivia did not have access to a sovereign port, its only two choices were to export its abundant natural gas reserves through Chile and Peru. The obvious economic choice was to export through Chile; however, Bolivians fervently rejected this option. To protest, Bolivians engaged in violent demonstrations, which caused political instability and prompted President Sanchez de Lozada's resignation. It is also fair to say that the gas war hindered Bolivia's economic development. By delaying its natural gas export plan, Bolivia lost out on an opportunity to earn significant profit and consequently on a chance to develop its economy.

This thesis also explored the effects of political instability and economic underdevelopment on Bolivia's ability to achieve a favorable settlement on the seacoast issue. I selected the Bolivian national revolution and the military regime of Hugo Banzer Suarez to explore what implications the party platform of the MNR versus the platform of military authoritarianism would have on Bolivia's ability to settle the seacoast issue. Unlike most political parties, the revolutionary government of the MNR did not put the seacoast issue at the forefront of its foreign policy goals. The revolution's main goal was to stabilize both Bolivia's economy and political system; its leaders believed that once these goals were achieved, it would be able to successfully obtain a port sovereign port from Chile on the premise of equality. However the revolutionary government was plagued with political dissension and its economic policies of nationalization and reform

did not produce the economic returns that were anticipated. The revolutionary government was overthrown in 1964 and no settlement was achieved.

From 1975 to 1978 Bolivia and Chile held negotiations on the seacoast issue for the first time since the end of the War of the Pacific. Chile offered to provide Bolivia with a corridor to the Pacific Ocean in exchange for Bolivian territory equal to the amount ceded by Bolivia. At the time, however, Bolivia was plagued by political chaos and economic instability, which were a direct result of policies enacted by the Banzer regime. Thus, it is not surprising that the historic bilateral negotiations failed to deliver a settlement favorable to Bolivia.

In conclusion, this thesis' main goal was to explore the "question of the Pacific" and analyze what has prevented Bolivia from succeeding in her main foreign policy goal: obtaining a sovereign outlet to the Pacific Ocean. My research has suggested that Bolivia's unstable political system and economy has contributed greatly to her lack of success in obtaining a favorable settlement. In addition, over the course of history, there were at least two events (Chaco War and Gas War) in which Bolivia's landlocked status contributed to its political instability and thence to economic underdevelopment.

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## BIOGRAPHICAL SKETCH

Captain Daniel A. McCray was born in Seattle, Washington, on April 20<sup>th</sup>, 1972. In 1994, he received a bachelor's degree in political science from Central Washington University (Ellensburg, Washington) and entered the United States Army as a Second Lieutenant with the Field Artillery.

As a Lieutenant, he was stationed at Fort Drum, N.Y. with the 10<sup>th</sup> Mountain Division, and was deployed as a peacekeeper to Bosnia-Herzegovina. Promoted to Captain in 1998, he completed his Officers Advanced Course at Fort Sill, Oklahoma, before carrying out a yearlong tour in South Korea with the 2<sup>nd</sup> Infantry Division. In 2000, CPT McCray was transferred to Fort Lewis, Washington where he served in positions as staff officer and a field artillery battery commander with the 25<sup>th</sup> Infantry Division. Before attending the University of Florida, CPT McCray graduated from the Spanish course at the Defense Language Institute in Monterey, California.

After receiving his Master of Arts degree from the University of Florida in December 2004, CPT McCray will be performing a yearlong tour of duty in the Republic of South Korea. He is married to the former Karyne Momy of Ontario, Canada.