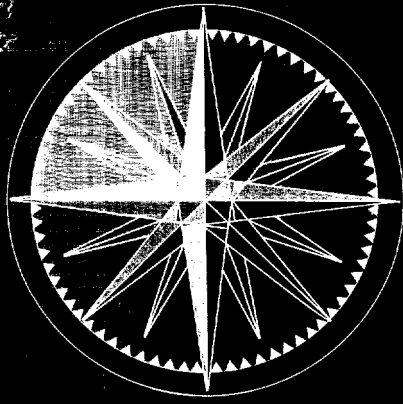


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# SPECIAL REPORT

OFFICE OF CURRENT INTELLIGENCE

THE BOLIVIAN-CHILEAN DISPUTE

CENTRAL INTELLIGENCE AGENCY

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**THE BOLIVIAN-CHILEAN DISPUTE**

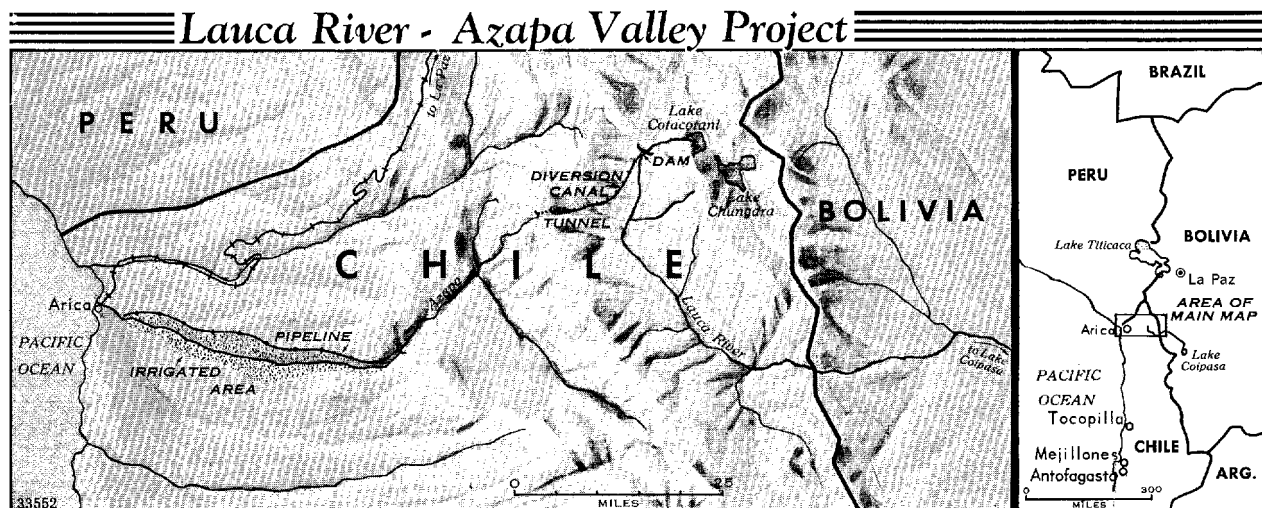
A long-standing dispute between Bolivia and Chile over Bolivia's aspirations for access to the sea and over Chile's diversion of Rio Lauca waters has grown in intensity in recent weeks. A climax of sorts was reached on 12 June when La Paz announced it was withdrawing its representative from the OAS Council in protest against actions by the council chairman, who was attempting to mediate the dispute. At present, with elections scheduled in both countries next year, neither side can afford a meaningful compromise, so no solution is likely in the near future.

Background for the Dispute

Bolivia and Chile have had boundary problems since the late 19th century when Bolivia lost its seacoast and a valuable nitrate-producing area to Chile in the War of the Pacific (1879-1884). A treaty signed in 1904 obligated Bolivia to acknowledge transfer of its seacoast to Chile. In return, Chile granted Bolivia the duty-free use of the ports of Antofagasta and Arica and of the railroads connecting these ports to La Paz. Bolivia's

quest for its own outlet to the sea nevertheless continued to be an issue between the two countries.

This issue now has become intertwined with a Bolivian protest against a Chilean plan to divert waters of the Rio Lauca for an irrigation project in the Azapa Valley. The river rises in Chile and empties into the salty basin of Bolivia's Lake Coipasa. Bolivia has



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charged that Chile's utilization of the waters of this common river constitutes an act of "geographic aggression" and is demanding as compensation an outlet to the sea.

Chile announced its Rio Lauca plans in 1939, held the project in abeyance during World War II, and began construction in 1948. The Bolivian Government was kept informed of progress but made no protest until the installation was first tested in November 1961. The Chilean foreign minister's reply stated that Chile considered it had the Bolivians' tacit approval in view of their failure to register a protest in the 23 years they had known of the project, and that Chile was using less than 50 percent of the river's water.

The Rio Lauca project will be of major economic benefit to Chile. The water will be used for producing hydroelectric power as well as for irrigation in the Azapa Valley. The power generated will be transmitted as far as the port city of Arica. Bolivia, on the other hand, has no plans for utilizing the river's waters.

Prior to April 1962, Bolivian-Chilean negotiations proceeded through normal diplomatic channels. In March 1962, Chile announced its intention to divert the Lauca waters as soon as the project was completed. On 13 April, Bolivia threatened to take the dispute to the OAS unless

Chile canceled its plans. The next day, however, Chile began diverting the Lauca waters, and on 16 April several thousand students and workers protested by attacking the Chilean Embassy in La Paz with stones and "Molotov cocktails." The rioters managed to burn the Chilean flag before being repelled with tear gas by the local security forces.

Bolivia severed diplomatic relations and demanded that the OAS brand Chile as an "aggressor" under Article 6 of the Rio Treaty of 1947. The OAS refused to act upon the Bolivian request, and in May it returned the issue to the disputants and urged them to negotiate a peaceful settlement. Gonzalo Facio, chairman of the council of the OAS, offered his services as mediator. Negotiations have proceeded haltingly since May 1962. Last September Bolivia withdrew from OAS Council activities in protest against an alleged lack of OAS action on the Lauca problem, but resumed its seat during the Cuban crisis.

#### Current Developments

Public feeling in both Chile and Bolivia has been heightened recently by Bolivia's national celebration of a "Week to the Sea" from 16 to 23 March, its use of a postage stamp on all mail to Chile bearing a similar slogan, Chile's repressive tactics against a Chilean radio station which broadcast a pro-Bolivian news program, and other mutually harassing acts.

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Meanwhile, Facio's efforts in the OAS have been hampered by Bolivia's endeavors to link the Rio Lauca controversy with its access-to-the-sea aspirations. The problem is complicated by the fact that his desire to separate the two issues coincides with the position of the Chilean Foreign Ministry.

Early last week a Bolivian note implying criticism of Facio's mediation role was inadvertently circulated to the members of the OAS Council while Facio was out of Washington. Facio, reportedly greatly offended, made it known that he was ending his mediation endeavors. Bolivian Foreign Minister Fellman then announced that his country was withdrawing from the OAS because of that body's "incompetence." He later clarified this by saying Bolivia was withdrawing only from the Council of the OAS.

The full ramifications of Bolivia's decision are still not clear. Its OAS representative and ambassador to the US are both urging the Foreign Ministry to reconsider. It seems likely that the withdrawal will hamper rather than help Bolivia in its efforts to seek diplomatic support from other Latin American governments. Bolivia may, however, be planning to bypass the OAS and submit the Rio Lauca and sea-access issues to the UN when the General Assembly convenes in Sep-

tember. Possibly in an effort to line up support in that body, La Paz has been extending its diplomatic relations to include several key Afro-Asian countries. Unless Bolivia becomes convinced that its withdrawal from the OAS Council has definitely worked against its best interests, it is not likely to resume normal diplomatic representation at the OAS until the election of a new council chairman in November.

In spite of the current bad feeling, Bolivia probably would be content to resume normal diplomatic relations with Chile if Santiago would agree to keep the door open for a possible agreement on freer Bolivian sea access. The Bolivian Foreign Ministry evidently is banking on a Chilean memorandum of 10 July 1961, which stated that Chile always has been prepared to discuss the possibility of giving Bolivia some form of sea access in return for some kind of nonterritorial compensation.

However, the dispute now is further complicated by the fact that the issues involved have become matters of national pride and by the national elections scheduled for next year in both countries. In Bolivia, President Paz Estenssoro probably would be heavily attacked from the political right and left should he agree to an accommodation which was less than favorable to Bolivia.

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Outlook

Thus, it is unlikely that a satisfactory solution to the dual Bolivian-Chilean problem will be found until after the elections. It is equally unlikely that Chile in the meantime will make the concession Bolivia wants in order even to resume diplomatic relations.

During the past six months Bolivia has been sending demarches to the other hemisphere governments seeking their support, and it is possible that continued Bolivian pressures will bring results. The combination of increased hemisphere diplomatic pressure and the strong desire on Chile's part for nonterritorial concessions-- such as increased water rights--

might result in a future agreement with Bolivia which could lead to a modification of its land-locked status.

Such a quid pro quo might result in a Chilean offer to Bolivia of an expanded port enclave and more extensive rail facilities from La Paz to the sea. On the other hand, Bolivia probably would consider exclusive use of the seemingly abandoned port of Mejillones between the Chilean ports of Antofagasta and Tocopilla as adequate compensation. There is no reason to believe, however, that Chile will agree to any major modifications of the Treaty of 1904, such as a corridor to the sea, to satisfy Bolivia's seacoast aspirations.


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