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by John Neagle

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On Aug. 2, former president Hugo Banzer Suarez announced the support of his National Democratic Alliance (ADN) party in a congressional runoff for Jaime Paz Zamora, candidate of the Revolutionary Leftist Movement (MIR). The agreement ended the presidential aspirations of Gonzalo Sanchez de Lozada, the candidate of outgoing President Victor Paz Estenssoro's Nationalist Revolutionary Movement (MNR). Sanchez de Lozada, who served as planning minister under Paz Estenssoro, finished first in the general elections in May. He led Banzer by less than 6,000 votes. The front-runner had 23.07% of the vote, Banzer 22.7% and Paz Zamora 19.64%. Since no one candidate in May received a majority of the popular vote, the decision fell to the newly elected 157-member Congress installed early this month. Sanchez de Lozada's party has 49 seats and Banzer's 46. With the support of Banzer's party, Paz Zamora received more votes than he needed for election. Early on Aug. 5, 97 members of Congress formally elected Paz Zamora president of Bolivia. Inauguration ceremonies took place Aug. 7. The Andina news agency reported that the inauguration was attended by representatives of over 100 nations, including Presidents Carlos Menem of Argentina, Alan Garcia of Peru, Jose Sarney of Brazil, Andres Rodriguez of Paraguay, Julio Maria Sanguinetti of Uruguay, and Manuel Solis Palma of Panama. Paz Zamora, 50, is a former leftist who has reportedly evolved into a self-described Social Democrat. He served as vice president in the 1982-85 government of Hernan Siles Suazo. Although he campaigned against the Paz Estenssoro's austerity program, Paz Zamora has now promised to continue the policy. Under his agreement to co-govern with the ADN, Banzer's running mate, Luis Ossio Sanjines, was given the vice presidency, and ADN will receive 10 of 17 cabinet offices, including those key to economic policy. When Paz Estenssoro came to power in 1985, Bolivian inflation was running at an annual rate of 24,000%. Among the austerity policies which reduced inflation to less than 3% in the first half of 1989, were tight monetary policies, draconian cuts in public spending, an overhaul of the tax collection system, closing some of the state-run mining company's largest mines and reducing COMIBOL's workforce from nearly 30,000 to about 9,000. Many economists say the austerity program, which threw tens of thousands out of work, was successful in part because drug trade money spurred the growth of a large informal economy that has absorbed many of the unemployed. Herbert Muller, director general of Muller Associates, an economic consulting firm, told the Washington Post: "The question is why, under these circumstances, we have not started shooting at each other and had a social explosion. The answer is that drug money has absorbed them by creating a whole sector of the informal economy linked to drug trafficking." Muller said his studies show that unemployment is running at about 22%, double the official figure of 11%. Annual per capita income is $600, the second lowest in the hemisphere. Bolivia produces an estimated one third of the cocaine consumed in the US. Legal exports are expected to earn the country around $600 million in 1989, while cocaine revenues entering Bolivia, although difficult to measure, is now estimated at $300 million, down substantially from previous years. Muller said, "The country has a dilemma. If you eliminate drug trafficking rapidly and cannot greatly strengthen the formal economy, you get rid of that cushion, pressures grow on the government and you have a social explosion. The cushion is the informal sector of the economy financed by drug traffic." Son of an army general who was a first cousin of Paz Estenssoro, Paz Zamora became involved in radical politics in the 1960s and early 1970s. His younger
brother, Nestor, was among a group of 60 young leftist guerrillas killed by the army in the northern part La Paz department in 1969. In 1971, after Banzer had taken power in a coup, Paz Zamora went to Chile, then governed by President Salvador Allende, and organized his Leftist Revolutionary Movement with the intention of establishing opposition to the Banzer government. The MIR avoided guerrilla activity, and evolved into a legal political party. Paz Zamora is the first to govern Bolivia in 37 years who is not either a member of the Nationalist Revolutionary Movement (MNR), which led the 1952 revolution, or a military officer. Bolivia receives about $100 million per year in US aid, making that country the third largest Latin American beneficiary, after El Salvador and Honduras. (Basic data from AFP, 08/02/89; Washington Post, 08/06/89; New York Times, 08/03/89, 08/06/89, 08/07/89; Xinhua, 08/07/89)

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