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A Personal View

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A Personal View

The Water War in Cochabamba, Bolivia: Privatization Triggers an Uprising

Powerful forces are compelling Latin American countries to privatize state enterprises and public services, including water services. These forces—the World Bank (WB), transnational enterprises, national and regional governments and local elites—came together in Cochabamba, Bolivia, in a case that illustrates how international agencies and transnational enterprises operate, and reveals how the government and local elites work against the interests of their own people.

What happened in Bolivia also illustrates the limitations of privatization. The population challenged a water privatization contract that was extremely disadvantageous to them. An extraordinary uprising forced the government to break a contract with *Aguas del Tunari*, a consortium led by the Bechtel Corporation. This transnational enterprise would have made large profits from its monopoly on water service and the chance to impose profitable rates. Grassroots power shown by the population, particularly peasants, has since forced the government to modify a law that converted water into a commodity. The struggle also forced the government to pass a subsequent law classifying water as a public good and respecting traditional water management practices.

But this battle did not end with the expulsion of *Aguas del Tunari* or the passing of the new law. Attempts are currently underway to organize Cochabamba's population so that water service can be provided to everyone at reasonable prices, with social control over the public enterprise known as SEMAPA, which is now responsible for supply.

The *regantes* (peasant associations that control the irrigation system in Cochabamba's fields) have played a very active role in this conflict. They aim to build a national organization. This will be difficult because the powerful forces mentioned above are determined to destroy the social movement that arose in response to the water question. This makes it imperative to seek international support. There is international opposition to Bechtel's demand for US$ 25 million in compensation from the Bolivian government; the corporation argues that it would have earned this amount in profit had it stayed in Cochabamba.

The actors

The WB has had great influence in Latin America, especially since the debt crisis of the 1980s. For the WB, water is essentially an economic commodity like any other. Hence, the Bank proposes policies of "full cost recovery," meaning that consumers should pay the costs of supplying water, and implying that the government must not subsidize water rates.

In order to make the investment necessary to provide water to Cochabamba's population, one third of which had no water at all, the WB supported the privatization of SEMAPA as early as 1994. In 1999, the WB renewed its demand and also supported an adjustment of water rates. It maintained that the new rates were justifiable to cover the costs of expanded service, particularly the Misicuni Project, which was designed to bring water to the Cochabamba Valley by constructing a dam and tunneling through a hill. The WB has regularly urged the municipality of Cochabamba to privatize SEMAPA, a policy it applies throughout Bolivia and the rest of the world. The WB advocates privatization of water services on the basis that governments do not have sufficient funds to invest.

On the recommendation of the WB, the Bolivian government decided in 1999 to privatize SEMAPA and permit bidding. *Aguas del Tunari*, a consortium with headquarters in the Cayman Islands and later in Holland, was the sole bidder. This consortium consists of the most important global enterprises in the water business: 50% of the shares are owned by International Water Limited, Bechtel's subsidiary in the USA, and by Edison (Italy), 25% are owned by Abengoa (Spain), and the remainder by Bolivians. The Bolivian owners are businessmen tied to the ruling parties. Hence, the transnational enterprises expected assurances of government protection.

The Bolivian government made little effort to secure a favorable contract. On the contrary, it granted everything demanded by *Aguas del Tunari*. Since 1985, Bolivia has been implementing a neoliberal economic model that seeks to incorporate the country into the global economy, open its doors to free trade, and offer conditions that will attract transnational enterprises. The government did not have independent, professional negotiators who understood all the implications of the contract. This situation reflects a serious problem of countries in the South: lack of capacity to properly defend the country's interests in negotiations. This is a dilemma, given the many current negotiations taking place in the World Commerce Organization and America's Free Trade Association. Bolivian officials generally represent private interests centered in large enterprises. Because Bolivia is one of the most corrupt countries in South America, there is a widespread belief that the officials who negotiated the contract with *Aguas del Tunari* took bribes, although this is difficult to prove.

Local elites fully approved the contract. Cochabamba's mayor and the local elites welcomed the contract, believing that it would finally

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resolve the city's water problems, including the fact that one third of the population was not connected to the system. But things did not go as expected. Once the contract entered into force, water rates increased more than 100%. A government water service law granted a private monopoly covering water supply and concessions. Everyone, including cooperatives and peasant irrigation systems, was required to be connected to the concessionary's network. People with no access to water were also billed, on the assumption that they should pay for a service that would be available in the near future. Negative reaction was immediate in the form of widespread, violent opposition. The irregularities caused by this law were the main reason an alliance was formed between the urban population and the peasants.

The forces of resistance

Monopolization and the increase in water rates provoked a protest supported by major sectors of the population: professional societies, neighborhood associations, enterprises, manufacturing unions, *regantes*, cocoa leaf producers, and peasants. This protest was coordinated by a newly created organization, the *Coordinadora en defensa del agua y de la Vida*. There was consensus about expelling *Aguas del Tunari* and making amendments to the water law. The objectives were to prevent water from becoming a commodity and guarantee respect for traditional customs and forms of water use in the countryside. The *Coordinadora* is a very horizontal organization with the capacity to mobilize existing "community social capital." Throughout the conflict, it led numerous meetings characterized by freedom of expression.

This resistance movement organized different protests in January and February of 2000. Each protest led to an agreement in which the government committed itself to revise water rates and the water law. Although the government made many promises, it did nothing in the end. This triggered popular anger. In March, the *Coordinadora* called for a referendum in which about 50,000 people participated. After a new mobilization in April, demonstrations took place in the streets and blockades were erected; there was broad participation in these events.

At this point, the government called up the military and decreed a "state of siege" instead of listening to the population. This aroused further anger, and street battles continued. The government imprisoned the leaders of the *Coordinadora* and sent some to remote places. Yet the protests continued. After days of violence resulting in 1 death and more than 100 injuries, the government decided to negotiate. All demands made by the *Coordinadora* were accepted. *Aguas del Tunari* was expelled and the government rewrote the water law.

The current situation

The question of water in Bolivia has not yet been resolved. The government and the transnational enterprises tried to discredit this extraordinary social protest. Their aim was to undermine the movement and people's confidence in the *Coordinadora*.

Numerous mechanisms were employed to do this. Because SEMAPA had debts of more than US$ 20 million, the government demanded that it be repaid quickly. The objective was to block SEMAPA and stop improved water service. The government wanted to demonstrate that SEMAPA, a public municipal enterprise with social influence, offered no hope for the future; people who did not have water would continue to have none. A popular demand for cancellation of the debt was made in opposition to the government's position. The ensuing struggle had an effect because repayment time for the debt has been extended.

Second, there was a campaign denouncing irregularities in SEMAPA; *Coordinadora* representatives on SEMAPA's board of directors were blamed for management errors. According to the press, the leaders of the *Coordinadora* forced SEMAPA to hire their relatives. In reality, however, recruitment was based for the first time not on nepotism but on merit.

Third, the government tried to take over SEMAPA. A temporary board of directors installed at SEMAPA after the victory in April drew rapid criticism from the government and local elites. To avoid this criticism, the *Coordinadora* wanted the board of directors to be constituted in a more democratic way, that is, popularly elected. In April 2002, partial success was achieved when 3 of the 7 board members were chosen by the population in a general vote.

Fourth, the government has tried to change the essence of the law while making new regulations. Meantime, the *regantes* organizations, members of the *Coordinadora*, are actively advocating that water regulations presently under discussion be based on the principles of the new national water law promulgated in April 2000.

The *regantes* organizations want assurance that they will have control of their present irrigation systems. According to regulations under discussion, the *regantes,* who have rights of access to water, must obtain permission every 2 years, which they are unwilling to do because they do not want to risk refusal by the government. They seek a grant of automatic permission for an underdetermined period, provided the service works.

There is also a struggle over so-called *superintendencia* (superintendence), an allegedly independent government-created institution with the purely technical function of being in charge of resolving water problems. The *Coordinadora* and the

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regantes believe that this institution has been and will continue to be controlled by private interests, especially transnational enterprises. Hence, they proposed the creation of a water council, made up of government officials as well as *regantes* representatives. A council of this nature would permit some social control.

Another important point in the present struggle is the establishment of a national *regantes* association; there is already a *regantes* federation in Cochabamba. The new association would be represented on the water council. The *Coordinadora* and the *regantes* want water rates to be set at the local level, by the mayor and representatives of the population, not at the national level by the superintendence.

Finally, there is the issue of exporting water. The government wants to sell water to Chile, but the border population is opposed to this; they first want an evaluation of water needs followed by an examination of the option of selling surplus water to Chile. Because of this protest, the government has delayed the sale of water.

Bolivia's struggle against Bechtel

Aguas del Tunari, under the direction of the Bechtel Corporation, wants to recover its investments as well as the profit it expected to make. Bechtel initially tried to negotiate this issue with the government. Now, taking advantage of a bilateral agreement on investment protection between Bolivia and Holland, Bechtel has lodged a complaint against the Bolivian government in the International Center of Settlement of Investment Disputes, asking for US$ 25 million in compensation.

The fight to avoid compensation is a new chapter in the water war in Cochabamba. Attempts are now being made to influence the Dutch government to cease its support of Bechtel by accusing the government of Holland of having double standards. Holland assists in Bolivia's development (particularly the rural sector), but it is also supporting an enterprise that has suspiciously displaced its head office to Holland and invested very little in Cochabamba. (The company was originally formed in the Cayman Islands and was planning to invest less than half a million dollars.) An American union is also pressuring Bechtel to withdraw its demand, and a committee of lawyers in Washington is studying a legal defense strategy. Finally, a committee was created in Bolivia on the initiative of the *Coordinadora* to pressurize the government not to pay, to organize a good defense in the courts, and to impede possible negotiations under the table between the government and Bechtel.

Conclusion

The water war has shown that people are tired of corruption and enterprises that make enormous profits at the expense of the population in the poorest country in South America. Bolivia has an average annual per capita income of US$ 2,000, 14 times less than the average in Europe. Moreover, Bolivians do not want an authoritarian government. Power has traditionally been concentrated among elites; when the people make demands or vigorously oppose government decisions, these rulers declare a state of siege to impose their will and force people to obey. But in April 2000 the opposite happened, when the government gave in and accepted people's demands. *Aguas del Tunari* left, and a new water law was promulgated. The struggle over water also revealed that paternalism is a thing of the past. Traditionally, urban-centered "whites" were the ones who made laws and believed that only they could manage the country. Now peasants have shown a great capacity to make proposals and successfully change the law. In addition, the *Cordinadora* has shown its capacity to develop another model of enterprise to serve the population's true interests, through permanent and effective participation by water consumers.

It is now possible to dream of greater justice in Bolivia. But international solidarity will be needed to achieve equity and prevent water from becoming a commodity. It also seems possible to dream of a world with less privileges for transnational enterprises. But such companies still have many mechanisms to ensure their spurious interests, like the bilateral treaty between Bolivia and Holland. The Bolivian battle against Bechtel will require solidarity on the part of all social organizations if it is to succeed.

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