

# The Cochabamba Water Revolt and Its Aftermath

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*In the opening months of the year 2000, the people of Cochabamba, Bolivia, took to the streets by the thousands. They were protesting the takeover of their city water system by a subsidiary of the U.S. corporate giant Bechtel and demanding the repeal of a new national water law that threatened to hand Bechtel control over rural water systems. On three separate occasions the people of Cochabamba and their rural neighbors shut down the city with general strikes and road blockades. Bolivia's president, a former dictator, responded with armed troops and a suspension of constitutional rights. More than one hundred people were wounded. A seventeen-year-old boy, Victor Hugo Daza, was killed.*

*On April 10, 2000, Bechtel officials finally fled the city, the water system was returned to public control, and the water law was repealed. The global legend of the great Cochabamba Water Revolt was born—a powerful modern-day tale of a corporate Goliath slain by a humble David of the Andes. In the years since, the story of the water revolt has been featured in so many international articles, books, and films that reporting about those events has become a phenomenon in itself. At the time of the revolt, the Democracy Center, based in Cochabamba, was the only ongoing source of reporting to audiences abroad. The center's coverage, which shared honors for top story of the year from Project Censored, became the basis of much of the reporting since.*

*In this chapter, Jim Shultz looks at the water revolt through seven years of hindsight, in a way that goes far deeper than any previous*

*accounts by the Democracy Center. What motivated the people of Cochabamba to rise up? How did they organize themselves to fight and win against such a powerful foe? Of equal importance, however, is what happened after the revolt. How did it affect the global debate on putting water into corporate hands? What role has it had in Bolivia's subsequent political changes? And perhaps most important of all, what did the water revolt mean for the demand that sent the people of Cochabamba into the streets to begin with—the desire for clean, affordable water?*

#### THE SEEDS OF A REVOLT

A two-and-a-half-gallon bucket of water weighs about twenty-two pounds, slightly more than the weight of five bricks. In Bolivia, that is just enough water to cook a family meal and clean up from it.

On the outskirts of Cochabamba, where water is scarce and taps in the home are merely a dream, young children, burdened mothers, and bent-over grandmothers carry such buckets of water over long distances from rivers or public spigots. For thousands here, gathering water in this way is a basic feature of their lives, in the way people in other parts of the world gather water by turning on a faucet.

But the demand for clean water is about something more than just the desire to shed heavy loads; it is also a matter of life and death. In Bolivia, more than one in twenty children die before starting kindergarten, and disease caused by the lack of clean water is among the most common causes.<sup>1</sup> It was this, the need for something essential to life, which was most truly the genesis of the now famous Cochabamba revolt.

#### *Water Scarcity: Cochabamba's Perfect Storm*

Water was an issue in Cochabamba long before any locals ever heard the words *Bechtel* or *privatization*. The city that sprawls across a large valley eight thousand feet high in the Andean foothills got its name from water: *Kucha Pampa*, from the indigenous language Quechua, meaning swampy land.

Cochabamba's roots can be traced to the mid-1500s, when it was the lush, green source of fruit and produce for the miners of Potosí, the silver-filled Bolivian mountain that bankrolled the Spanish empire for two centuries. In its early years, the small pueblo and the land around it were surrounded by small lakes and lagoons. By the mid-1900s that wealth of moisture was already becoming history—the result of a three-way collision of forces over which residents of the city had no control.

First, Cochabamba was growing—by a lot, and fast. In 1950, the city had a population of 75,000. By 1976 that number leaped to more than 200,000. In 2001 it topped half a million.<sup>2</sup> The once mighty silver and tin mines of the Bolivian highlands were in economic collapse; the small rural villages that had been the nation's heart were also becoming economically unsustainable; and families were headed to the temperate climates of Cochabamba by truck and busload.

A sprawl of new neighborhoods, often settled by whole mining communities that moved to the city together, sprang up across the hillsides of the city's southern and northern outskirts. Land that was long home to red-berried *molle* trees, sheep, pigs, cows, and farm crops was now dotted with small adobe houses with weak tin roofs held down by heavy rocks. And while the newly transplanted residents of those houses could live without electricity, without telephones, and without gas pipes running into their homes, they could not live without water.

Second, Cochabamba was running out of water, just as demand for it was starting to spike. Deforestation of the surrounding hills and years of drought left the once lush valley so dry for most of the year that light brown dust, the color of overcreamed coffee, became one of its most notable features. It filled the air during the August winds, blocking the view of the sun and sticking between Cochabambino teeth. To get water, neighborhoods drilled deep wells, exhausting the fragile water table underneath the city. Those who couldn't dig wells bought water at exorbitant prices from large dilapidated water trucks that traveled the new neighborhoods. Those who couldn't afford the prices charged by the trucks resorted to heavy buckets and long walks.

Cochabamba faced one more challenge that completed its water crisis—chronic poverty. Bolivia is the most impoverished nation in South America. The nation was falling deeper and deeper into debt. To get the people of Cochabamba the water they needed, huge investments were required in infrastructure—dams and pipelines to bring more water into the valley from the wet mountains above it, and tanks and underground pipes that could deliver that water to people's homes, or at least nearby. Neither the residents of Cochabamba, nor their city government, nor their national government, had the resources needed to get water to the people.

### *The Birth of a Water Company*

In the mid-1960s Cochabamba's leaders began looking for assistance from abroad. In 1967, the city secured a \$14 million water development loan from the Washington-based Inter-American Development Bank

(IDB). In exchange for that aid, the IDB also set conditions for how the city should go about the business of providing water for its people, the kind of strings-attached aid Bolivia would encounter with foreign assistance in greater and greater abundance down the road.<sup>3</sup>

The first requirement was that Cochabamba needed to set up a new public water company, SEMAPA (*Servicio Municipal de Agua Potable y Alcantarillado*) to manage the development of expanded water service. Run by a board headed by the city mayor, the company started building tanks and laying pipes. For years afterward, SEMAPA would be beset with charges of corruption and mismanagement and used as a source of cash and favors for the politicians who helped run it. A former director of SEMAPA described the corruption problem this way:

Someone hoping to get a political job contributes funds to help a friend get elected mayor. His candidate wins and he is rewarded with a job at the water company, in charge of buying large water pumps. The guy goes out and prices pumps with companies who sell them. "The price is \$10,000," the water company official is told. "No it's not," he replies. "It's \$11,000. That's how much you will bill the water company. The extra \$1,000 is a commission you pay to me directly."<sup>4</sup>

Side deals, payrolls padded with friends and relatives, and other acts of general mismanagement and inefficiency would plague the water company off and on for decades.

Nevertheless, throughout the 1970s, 1980s, and 1990s, SEMAPA continued to expand city water service—but it was never able to keep up with the rapid influx of new families, new neighborhoods, and the relentlessly growing need for water. The water service expansion that SEMAPA was able to achieve was also focused heavily in the city's wealthier neighborhoods in the center and north. The much poorer neighborhoods of the south—populated by ex-miners and people flowing in from the countryside—were left out almost entirely. A 1997 investigation concluded that in the more prosperous northern neighborhoods of the city (home to about one quarter of its population) 90 percent of the families had water hookups and indoor plumbing. In the poorer barrios of the south, less than half the families had these things.<sup>5</sup> Not only was Cochabamba failing to solve its water crisis; it was also creating an entrenched system of water haves and have-nots.

Faced with the public water company's failure to solve their growing water problems, the poor neighborhoods of the city's south began doing what Bolivians have done for centuries in indigenous communities and for decades in the mines—they organized to solve the problem themselves.

From the 1990s onward, more than a hundred “independent water committees” were formed, through which residents joined together to dig wells, lay pipes up to water sources in the hills, and look for other practical ways they could get water and manage that water collectively. But as with SEMAPA, these local water committees could not keep up with the demand for water and could not provide people with a long-term solution to the ever-growing water crisis.

### *Dams, Tunnels, and Wells*

It was becoming a simple fact: Cochabamba had no real chance of solving its water problem if it relied simply on runoff from the Andean foothills surrounding it and the other sources that nature alone had provided. The city’s quickly growing population required new sources for water, and city leaders aimed to fill that need with a combination of big projects, including dams, tunnels, and large-scale wells.

From 1967 to 1999, with financial support from foreign lenders such as the IDB, the water company dug more than sixty large-scale wells, enough to provide more than half of all the water it was distributing to Cochabamba water users. Many of these wells were dug not in the city itself, but in the rural areas that ring the far edges of the Cochabamba valley, and with each new deep hole dug under their land, farmers were getting more and more angry. The families of the countryside knew that draining the water underneath them would eventually take its toll on their land and their livelihoods. Valley farmers first tried to stop the well digging by persuasion. When that failed they shifted to resistance, triggering a series of confrontations that frequently became violent. Ultimately the War of the Wells was resolved through a combination of payments to the farmers and water-sharing arrangements with the city. The truce between the city and the countryside, however, was fragile at best. Real solidarity between the two would come only later, catalyzed by an unexpected source: a corporation headquartered a hemisphere away.

In the early 1990s, Cochabamba began debating two rival proposals for constructing huge new dams that would capture water from rivers far beyond the city, to be transported by pipe to the parched neighborhoods of the city. It was a debate as much about politics as engineering analysis. The cheaper and simpler plan was to bring water to the city via a new pipeline from Lake Corani, thirty-one miles to the city’s east. The rival plan, one shrouded in rumors of behind-closed-doors sweetheart deals, was a \$300 million proposal to build a huge dam at Masicuni, the

convergent point of two rivers on a high plain far beyond the city, and to construct a twelve-mile tunnel through a mountain to bring the water to Cochabamba.<sup>6</sup> Backed by a coalition of city leaders and wealthy developers with an economic stake, Cochabamba opted for Misicuni. Construction began in 1998 and was expected to take more than a decade to complete.

### *Enter the World Bank and the Demand for Privatization*

The IDB was not the only big institution in Washington lending Cochabamba's water company dollars for water development and getting more and more frustrated with SEMAPA's inefficiency and slow results. The World Bank, the giant global lender based in Washington, had spent much of the 1980s and 1990s lending poor countries money to build big, and hotly debated, infrastructure projects such as dams and highways. Along with those loans came an ever-lengthening list of conditions. One of the places that the World Bank lent funds for water expansion was Cochabamba.

Meanwhile, at the World Bank's U.S. headquarters, economists and analysts were developing a new strategy to solve the problem of access to water in poor nations. The plan was called privatization, and it meant encouraging governments in low-income countries to lease their public water systems over to private corporations, most of which were large global conglomerates with no previous relationships with or history in the countries where they would operate.

"Public sector utilities in developing countries have often not been efficient in providing access to reliable water and sanitation services," bank officials argued. "Evidence shows that the private sector, under contract with the public sector, has often yielded better results than public sector utilities alone."<sup>7</sup>

John Briscoe, the World Bank's senior water official, put the case for privatization more bluntly in an interview with PBS: "If you are genuinely concerned with them [poor communities] getting water, what is the best route to do that? It's a practical question, not a moral question. And a declaration that water is owned by the public to be managed by the public for the good of everybody—we've had decades of that, and it hasn't worked."<sup>8</sup>

World Bank officials, however, did far more than just argue the case for water privatization. In country after country, bank officials made the privatization of public water systems a requirement for getting

water funds.<sup>9</sup> In Bolivia, the bank made its demand for privatization quite clear.

In February 1996, Cochabamba's mayor announced to the press that the World Bank was making privatization of SEMAPA a condition of an urgent \$14 million loan to expand water service.<sup>10</sup> In June 1997, Bolivia's president returned from a meeting with bank officials in Washington and declared that \$600 million in foreign debt relief, much of it from the bank, was also dependent on privatizing Cochabamba's water.<sup>11</sup> Bank officials would later dispute these declarations that they had forced Bolivia's hand, and they argued that they had opposed the Bechtel deal because it included the Misicuni dam project. But in 2002, in an internal report, the bank's own auditors confirmed it was, in fact, bank coercion that set the Cochabamba privatization in motion. Privatization of the water company had been, according to the report, "a bank condition" for extending water loans to Bolivia.<sup>12</sup>

Left with little choice, in 1999 the government of Bolivia put Cochabamba's public water system up for private bid. Only one company came forward, a mysterious new enterprise called Aguas del Tunari, named for the rugged peak overlooking Cochabamba and its thirsty valley.

### *Bechtel Comes to Bolivia*

Bechtel Enterprises is one of the largest corporations in the world. With 2005 earnings of more than \$18 billion, the engineering firm has been responsible for some of the biggest infrastructure projects of the last hundred years, including the Hoover Dam, Northern California's BART transit system, and the troubled Boston "Big Dig" project.<sup>13</sup>

Bechtel is also well connected politically. Caspar Weinberger, who later served as President Reagan's defense secretary, had been the company's general counsel and director. George Shultz, who served as Reagan's secretary of state, is a member of Bechtel's board of directors. In 2004, Bechtel's political clout was made even clearer when it was one of two U.S. companies selected by the Bush administration, with no competitive bidding, to receive contracts for rebuilding in Iraq, a deal worth nearly \$1 billion.<sup>14</sup>

The San Francisco engineering giant was, however, a late arrival to the big international business of taking over public water systems. In 1996 it created a new London-based company, International Waters Limited (IWL), which moved swiftly to get into the global water game.

Like an aggressive player at a Monopoly board, gobbling up whatever properties come up for sale, Bechtel and IWL went after and won contracts to operate water systems in remote locations such as Estonia and Bulgaria—and Cochabamba.

To go after Cochabamba's water, Bechtel and IWL put together Aguas del Tunari, and in September 1999 signed a 214-page agreement with Bolivian officials. It was a deal negotiated behind closed doors and one that only a handful of Bolivians ever saw. The contract gave Bechtel and its co-investors control of the city's water company for forty years and guaranteed them an average profit of 16 percent for each one of those years, to be financed by the families of Cochabamba. No one at the negotiating table could have had any doubt what that would mean for Cochabamba water bills.

In the global scheme of things, Cochabamba was about as small a deal as Bechtel could have gone after. But for a company getting into water ownership late, a humble valley in the Andes was Baltic Avenue—that dark purple scrap of something to own just past “GO” that at least got you into the game. Cochabambinos, however, were getting ready to play by a set of rules that Bechtel and its associates probably never imagined.

#### REBELLION IN THE STREETS

The Cochabamba Water Revolt began in the countryside. It began over the rock and cement irrigation canals that snake across the rural areas outside the city, built by hand by farmers to bring water to their crops from nearby rivers. As part of its water privatization plans, the Bolivian government had approved a new water law to put those small trenches under its control, so that it could turn that control over to Bechtel. People in the countryside began mobilizing to stop the plan.

In November 1999, the Federation of Irrigators, furious about the new law, staged a one-day blockade of the highways leading in and out of Cochabamba. “Our objective was to test what capacity we had to fight,” recalled Omar Fernández, leader of the irrigators' union. “We found out that [the people] wanted to move faster than even our leadership. In [the small town of] Vinto they blockaded the highway for forty-eight hours.”<sup>15</sup>

Soon after, the irrigators paid a visit to Oscar Olivera, a former shoe factory worker who was president of the Cochabamba Federation of Factory Workers. In Olivera's office a group of farmers, factory workers, environmentalists, and others talked about the government's aim to

seize control of rural irrigation canals and about the rate hikes headed toward water users in the city. Sitting around a table covered by a faded blue tablecloth pockmarked with cigarette burns, they decided to launch a unified rebellion—rural and urban—against the plan. They established an alliance—the Coalition for the Defense of Water and Life (Coordinadora)—and they started organizing.

The Coordinadora was a response to something more than just the fight over water. Its leaders saw it as a response to what they believed was the total failure of the local institutions that were supposed to look out for the public's interest. Cochabamba's then-mayor, Manfred Reyes Villa, as president of SEMAPA, had signed the agreement that authorized the handover to Bechtel. Cochabamba's Comité Cívico (Civic Committee), an institution representing a broad cross-section of organizations, had been taken over by city business elites and had also signed off on the Bechtel handover. The Coordinadora, with its roots in labor unions, farming communities, and neighborhoods, would represent the people in a very different way.

As 1999 ended and 2000 began, Coordinadora leaders spread out to neighborhoods and communities across the valley, armed with presentations on large paper notepads about the threat they saw coming. Key among them were Omar Fernández and Carmen Peredo of the irrigators, Olivera, environmental leader Gabriel Herbas, economist Samuel Soria, and a member of Congress, Gonzalo Maldonado. Some crowds were huge, others were small, but it made no difference. "Even if there were ten people they went," remembered one Coordinadora organizer.

On the edge of the colonial central plaza in the heart of Cochabamba, the Coordinadora set up its headquarters in the Factory Workers building, steps away from the offices of the city mayor and the regional governor. On a clear, crisp morning in January 2000, from the union's third-floor balcony, the Coordinadora unfurled a fifty-foot-long red cloth banner blaring out its new battle cry in huge hand-painted letters: *¡El agua es nuestra, carajo!* (The water is ours, damn it!). The banner and its defiant words would stare government officials in the face every day for the next four months.

"We fought to conserve the water systems that we built with our own hands—tanks, wells, pipes," explained Abraham Grandydier, a key organizer in the city's southern neighborhoods. Some of the most active people fighting the Bechtel contract weren't even hooked up to the city's water system. "But we knew that later we also would be affected by the rate increases."<sup>16</sup>

## Bechtel versus the Facts

The Bechtel Corporation has made a great effort to defend itself against charges related to its role in the Cochabamba Water Revolt. However, on two central issues, Bechtel has either fudged on the facts or lied about them directly.

1. *What was Bechtel's role in Aguas del Tunari?*

In the aftermath of the water revolt, Bechtel sought to distance itself from those events by claiming that the corporation was just one minority owner among many in Aguas del Tunari, with a stake of just 27.5 percent.<sup>1</sup> The corporation's statement was factually accurate at the time it was made, and also directly misleading.

The majority controlling owner in Aguas del Tunari throughout (55 percent of all shares), was a company called International Waters Limited (IWL). According to Bechtel's own records, IWL was founded in 1996 by Bechtel and remained owned and controlled by it until November 1999.<sup>2</sup> That means that during the entire time that the Bolivia contract was being negotiated and signed—setting the new rate hikes in motion—*Bechtel owned 55 percent of the Cochabamba company* and called the shots. It was only two months after the Cochabamba deal was completed that Bechtel sold 50 percent of IWL to another company, Edison of Italy, forming the basis of its claim that it owned just a minority stake in Cochabamba.<sup>3</sup>

2. *How high were Bechtel's rate hikes?*

Bechtel has long maintained that its average rate hikes were no more than 35 percent and the rate increase it imposed on the poorest families was just 10 percent.<sup>4</sup> After Bechtel was forced to leave, the Democracy Center asked managers at the new public company to use Bechtel's own rate data to compute the

*The Revolt Begins: January and February 2000*

If there remained any question whether residents of the city would rise up as people in the countryside had done, those doubts were swept away quickly in January 2000, thanks to Bechtel's Cochabamba subsidiary. Just weeks after taking over the city's water, Bechtel's company handed users their monthly bills, complete with a spiffy new Aguas del Tunari logo and rate increases that averaged more than 50 percent, and in some cases much higher. For years afterward, Bechtel officials would continue to lie about the extent of their rate increases, claiming that the price hikes on the poorest were at most 10 percent.<sup>17</sup> An analysis using Bechtel's own data shows that the increases for the poorest averaged 43 percent.<sup>18</sup>

Cochabamba water users reacted furiously to the Bechtel rate hikes, and through the Coordinadora, they found a voice and a vehicle to act

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actual figures. In fact, the average increase for the poorest users was not 10 percent, but 43 percent, and the average increase for all users in Cochabamba was not 35 percent but 51 percent.<sup>5</sup>

In addition, Bechtel also sought to blame the water bill increases not on Bechtel's rates, but on a sudden and unexplained leap in water use among the people of Cochabamba, just as Bechtel took over.<sup>6</sup> In fact, Bechtel's alleged leap in water use never took place, and a comparison of water bills from before and after show that the rate hikes were not caused by increased use. Even customers who used less water after Bechtel's arrival were able to demonstrate increases of more than 50 percent.<sup>7</sup>

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1. "Bechtel Perspective on the Aguas del Tunari Water Concession in Cochabamba, Bolivia," Bechtel Corporation, San Francisco, CA, March 16, 2005, [www.bechtel.com/newsarticles/65.asp](http://www.bechtel.com/newsarticles/65.asp).

2. "Bechtel and Edison Reach Agreement on Edison's Acquisition of a 50% Stake in International Water Limited," Bechtel Corporation, San Francisco, CA, November 9, 1999, [www.bechtel.com/newsarticles/162.asp](http://www.bechtel.com/newsarticles/162.asp).

3. Ibid.

4. "Cochabamba and the Aguas del Tunari Consortium," Bechtel Corporation, San Francisco, CA, March 2005, [www.bechtel.com/pdf/cochabambafactso305.pdf](http://www.bechtel.com/pdf/cochabambafactso305.pdf).

5. For a full analysis by the Democracy Center of Bechtel's Cochabamba water rate increases, including both systemwide figures and individual bills, see "Bechtel vs. Bolivia: Cochabamba's Water Bills from Bechtel," [http://democracyctr.org/bolivia/investigations/water/waterbills\\_index.htm](http://democracyctr.org/bolivia/investigations/water/waterbills_index.htm).

6. Ibid.; "Cochabamba and the Aguas del Tunari Consortium."

7. From the Democracy Center's analysis of Bechtel's Cochabamba water bills.

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on that fury. On January 11, the Coordinadora launched a full blockade of the city, demanding a rollback in water rates and repeal of the new water law. The backbone of the January action was the irrigators, who blocked the two lone highways leading in and out of Cochabamba with tree trunks and huge rocks. People in the city shut down streets with ragtag assemblages of rocks, bricks, and strung wires. Cochabamba was closed.

Road blockades were not a new tactic in Bolivia by any means. They had been used long before by the miners' unions in their struggles. In Cochabamba, once or twice a year, local transportation workers or other groups would stage a one- or two-day protest in which buses stopped running, bridges and roads were blocked, and most businesses and schools closed. These blockades, however, usually had the feel of a brief citywide holiday. Families passed the day at home, or playing

soccer, or biking the empty streets, as negotiators worked on a settlement over the demand of the day.

The January blockade over water privatization was something different entirely. For three days Cochabamba was shut down tight. The city's airport was closed. Bus service in and out of the valley was suspended. Thousands of protesters occupied the city's central plaza. Cochabamba was in the midst of something uncharted.

In January 2000, Bolivia's national government was headed by President Hugo Banzer Suárez. Elected with just 22 percent of the vote three years earlier, General Banzer had ruled the country once before, as its coup-installed dictator from 1971 to 1978. The people of Cochabamba, especially leaders of the Coordinadora, had very clear, often personal memories of the kind of serious human rights abuses Banzer was capable of committing. According to Coordinadora leaders, the factory workers' meeting room, from which their huge red banner now hung, had been used for a time as a makeshift torture center during the Banzer dictatorship.

Initially, the government declared that it would not deal with the Coordinadora, dismissing it as speaking for no one and hoping that the protests would collapse on their own. By the end of day two, government officials were sitting across a table from Coordinadora leaders and scrambling for a solution to get Cochabamba open for business again. At the end of day three an agreement was announced: the government pledged to take a hard look at both the rates and the new water law and come back with a proposal. The Coordinadora gave Banzer three weeks. In the meantime, residents of the city stopped paying their water bills. Bechtel's representatives announced that the company would start cutting off water to families that refused to pay the hiked rates.

At the start of February, Coordinadora leaders announced plans for a "takeover" of Cochabamba's symbolic central plaza. What they planned was a modest rally during the city's daily two-hour shutdown for lunch, involving a few hundred people. Those gathered would cheer on as a few fiery speeches were made reminding officials of their pledges. Then everyone would go back to work. "We told the minister of government, 'Nothing is going to happen,'" said Olivera. "It was going to be a takeover with white flags, with flowers and bands, like a party."<sup>19</sup>

Instead of letting the rally pass as a minor event, Cochabamba's regional governor, Hugo Galindo, a Banzer appointee, announced that the "takeover" of the tree-lined plaza was illegal and would not be allowed. Somewhere in the halls of power in Bolivia's political capital,

La Paz, Banzer and his senior advisers decided that it was time to offer the Coordinadora a show of force. Strategically, it could hardly have been a worse idea.

On Friday, February 4, Cochabambinos woke up to more than one thousand heavily armed police occupying the city center, all of them brought in from other cities across the country. Banzer and his aides understood that Cochabamba police could not be counted on to take such a hard line against their own neighbors and relatives.

For the people of Cochabamba, even those who may not have been sympathetic to the water revolt before that, the invasion of police was akin to a declaration of war against them by their own government. Not only were Bolivia's leaders refusing to roll back Bechtel's huge price hikes; now they were protecting those increases with tear gas and guns. Public support for the Coordinadora swelled.

For two days Cochabamba's graceful colonial center turned into a war zone. Every block leading to the plaza was converted into a battlefield. At one end police outfitted in full riot gear blocked the streets with tear gas cannons. At the other end, protestors—young people, old people, poor and middle class—held their ground with rocks and slingshots. Many wore an impromptu uniform of vinegar-soaked bandanas over the mouth and nose and baking soda under the eyes to protect them from the gas. The doors of middle-class homes would suddenly open up and water and bowls of food would appear, an offering of support to those standing up to the government in the streets.

It was in February that the water revolt was joined by an important new ally, the coca farmers of the Chapare and their leader, Evo Morales. The *cocaleros* brought with them years of experience in resistance tactics against troops sent in to destroy their crops. "It was the *cocaleros* who showed us how to use the bandanas and vinegar to fight the effects of the gas," said one Coordinadora activist. Morales himself was on the streets those days, standing down the police.

Almost all local radio programming was suddenly converted into all-day phone-in programs, as caller after caller condemned the government and the company. In two days, more than 175 people were wounded, most of them victims of flying tear gas canisters or police beatings. Whatever public legitimacy the government had on the water issue was gone. Faced with an unexpected and intense public rebellion, the government announced, over Bechtel's objections, a temporary rate rollback for six months. The Coordinadora had won its first victory. "This gave a lot of strength to the people, a lot of energy. They felt victorious," said Olivera.

### *A Change of Strategy*

“The [Bechtel] contract was very hard to get hold of,” remembered Omar Fernández of the Coordinadora. “It was like a state secret.”<sup>20</sup> Through Congressman Maldonado, a Coordinadora leader, Coordinadora members were finally able to get a copy of the complex, inch-thick document. After the February confrontations, they began to examine the contract more closely, with the help of a team of Bolivian economists, lawyers, and other professionals who had joined the cause.

The team of professionals uncovered Bechtel’s guaranteed profit of 16 percent per year and learned that the company had won the concession with virtually no up-front investment.<sup>21</sup> Coordinadora leaders became convinced that they needed to change strategies. Instead of demanding just a rollback in water rates, they began talking about canceling the contract outright and putting Cochabamba’s water back under direct public control.

The demand for cancellation of a major international water contract was bold: nowhere else had popular protest succeeded in reversing such a major privatization deal. In March, Coordinadora leaders took the unusual step of organizing a *consulta popular*. For three days activists set up small tables in plazas and other public gathering places throughout the Cochabamba valley to survey residents about the rate increases and the water law. More than 60,000 people participated, nearly 10 percent of the valley’s population, and 90 percent endorsed cancellation of Bechtel’s contract. “The *consulta* made our movement much more participatory,” said Olivera, and cancellation became the Coordinadora’s official demand.

### *The Final Battle*

At the start of April 2000, the Coordinadora announced what it called “La Última Batalla,” the Final Battle. Coordinadora leaders warned that they would begin an indefinite general strike in the city and a blockade of the highways until the government met its two key demands: cancellation of the Bechtel contract and repeal of the national water law that threatened to seize control of rural well and irrigation systems. On Tuesday, April 4, the protests began and Cochabamba was shut down again for the third time in three months.

On Thursday, two days into the latest Cochabamba shutdown, officials led by the governor agreed to sit down to talk with Coordinadora leaders and other city groups in negotiations moderated by Cochabamba’s

Catholic archbishop, Tito Solari. Late that night, the talks began in the regional governor's offices, with the governor, the city mayor, the archbishop, and other officials all present.

Just after ten o'clock at night, police—under orders from the national government in La Paz—burst into the room where the negotiations were taking place and put the Coordinadora leaders under arrest. None of the public officials present had any advance notice of Banzer's plan. "It was a trap by the government to have us all together, negotiating, so that we could be arrested," said Olivera, who was among those taken into custody that night. Archbishop Solari locked himself in his own office for the night, telling reporters that if the Coordinadora was under arrest, so was he. When word of the arrests spread, hundreds gathered outside the office where the leaders were being held. With the situation on the street growing more serious by the moment, Cochabamba's regional governor arranged for Olivera, Fernández, and the others to be released, just after three in the morning.

As the sun rose on Cochabamba the next day, the city could hardly have been more tense. Coordinadora leaders along with a good portion of other Cochabamba residents expected a military takeover of the city at any moment. The crowds in the city's main plaza grew to more than 10,000 people. Many of the people were from the city, but thousands of others had marched long distances from the countryside and had been there for days.

Community by community they arrived, to great cheers, each group carrying a banner bearing the name of their *pueblo*. One rural town official, who had marched forty miles to get to Cochabamba, said, "This is a struggle for justice, and for the removal of an international business that, even before offering us more water, has begun to charge people prices that are outrageously high."

A meeting was announced for four o'clock that afternoon between Governor Galindo and Coordinadora leaders, again to be mediated by Archbishop Solari, but held in the supposedly safe territory of his office in the Catholic archdiocese. By late afternoon, as word spread through the city that the governor had failed to show, people in the plaza feared the worst. A half dozen teenage boys climbed to the bell tower of the city's cathedral, tying ropes to the bells so that they could be rung as a warning when soldiers started to invade the city.

Just prior to the meeting's scheduled start, Galindo was in his central plaza office and could hear the angry crowd outside. Windows had already been broken on the front of the building. A fire was set against

the giant wooden main door. He feared for the safety of the workers in the building. At the hour he was supposed to have met with Coordinadora leaders and the archbishop he telephoned his superiors in La Paz. He explained that he saw no alternative except cancellation of the contract or an all-out war between the people and the government. He recommended that the contract be canceled. His superiors in La Paz were noncommittal.

Galindo then called Archbishop Solari, who was still sitting in his office with Coordinadora leaders. The governor told the archbishop that he had urged Banzer to cancel the contract. When Archbishop Solari relayed that message to Olivera and other Coordinadora leaders, it was transformed into something different and more dramatic—that the company was leaving.<sup>22</sup> Minutes later, still wearing a vinegar-soaked red bandana around his neck and with white smudges of baking soda under his eyes, Olivera stepped out onto the third-floor balcony where the giant red banner still hung over the plaza.

“We have arrived at the moment of an important economic victory over neoliberalism,” he yelled with a hoarse voice to the crowd, which erupted in a cheer that rivaled thunder. He thanked the neighborhoods, the transportation workers, people from the countryside, university students, and others who had made the battle and the victory possible. Cochabambinos celebrated in the streets. Archbishop Solari presided over a packed service of celebration in the cathedral.

However, just hours later, events in Cochabamba took a dark and unexpected turn. Asked for comment by journalists, Banzer’s spokesman refused to confirm the company’s departure. As the day ended, Bechtel’s local representatives faxed notices to the local press declaring that they weren’t leaving. At midnight, Governor Galindo went live on local television. In tears he announced his resignation, adding ominously that he didn’t want to be responsible for a “blood bath.” In Bolivia, under a president with a dictator’s violent history, this was code for something frightening.

Coordinadora leaders scrambled to go into hiding. “At around midnight I was passing by the *Los Tiempos* [the daily newspaper] building and a reporter told me, ‘The government is going to declare a state of emergency,’” recalled Omar Fernández, leader of the irrigators. “So I took off on my motorcycle and hid.” Bands of police burst into the homes of Coordinadora leaders and their families, arresting all those they could find. Seventeen people were put on a plane in Cochabamba and flown off to a mosquito-infested jail in Bolivia’s remote eastern jungle.

The next morning, Saturday, as panicked Cochabambinos scrambled to local markets to stock up on food, President Banzer formally declared a “state of siege.” Constitutional rights were suspended; a curfew and a ban on meetings were imposed; and soldiers shut off radio broadcasts in midsentence. A whole section of the city, the hillside where antennas continued to broadcast news, had its power cut off.

The public response was quick and furious. From their clandestine locations, the Coordinadora leaders who remained free called for an immediate reinstatement of road blockades. In one neighborhood an elderly woman with a slanted back laid out rocks in the street to block it. Young people, dubbed “the water warriors,” headed back downtown to challenge Banzer’s troops. Women walked door-to-door to collect rice and other food to cook for the people who remained camped in the plaza. By Saturday afternoon the conflict exploded. Protesters set fire to a vacant government office building, sending a huge plume of black smoke into Cochabamba’s clear blue sky. Soldiers switched from using just tear gas to live rounds.

Just past noon, Victor Hugo Daza, an unarmed seventeen-year-old, was in one of the clusters of protesters gathered on a side street near the central plaza. A local television station captured footage of an army captain, Robinson Iriarte de La Fuente, firing live rounds into the crowd. A bullet exploded into Victor Hugo’s face, killing him on the spot. A stunned crowd led by his older brother brought his bloody body to the plaza and held an angry, emotional wake. Iriarte would later be tried in a Bolivian military court, acquitted, and promoted the same day to major.

The city had reached a bloody standoff. President Banzer, who now faced spreading protests on other issues in cities all across the nation, had made it clear that he was not about to cancel a contract with a major multinational corporation. His public relations staff told foreign reporters that the price increases had only been minor and that the protests were being orchestrated by narcotics traffickers intent on destabilizing the government.

The streets of Cochabamba, however, were only getting more crowded and the protests more resolute. Some began to speak of *hasta las últimas consecuencias*, until the final consequences. Anna Lara Durán, a member of the Cochabamba Human Rights Assembly, explained what that meant: “Once you have already paid a certain price, you don’t back down; you don’t back down for anything.”

Then, on the afternoon of Monday, April 10, the government made an announcement. Officials of Bechtel’s company, who sat out days of

violence watching it on television in a five-star hotel and insisting they wouldn't leave, had fled to the airport and left the country. The Bolivian government declared the contract canceled, saying in a letter to Bechtel's people, "Given that the directors of your enterprise have left the city of Cochabamba and were not to be found . . . said contract is rescinded."

Cochabamba celebrated wildly. Cars paraded along Cochabamba's avenues with horns blaring. The Coordinadora's leaders came out of hiding. Those who had been arrested were flown back from jail in the jungle and were greeted as heroes. Facing down the government of a former dictator, overcoming the power of one of the world's largest corporations, and reversing a fundamental policy of one of the world's most powerful financial institutions, the humble people of a city virtually unknown outside the country had won a victory that would soon echo its way to Washington and to the world.

#### THE WATER REVOLT'S IMPACT ON POLITICS: GLOBAL AND BOLIVIAN

It did not take long for news of Cochabamba's victory against Bechtel to travel far. The Democracy Center's dispatches led the way. A PBS film on the revolt would later report: "Though a major American corporation was at the center of the Bolivian unrest, not a single U.S. newspaper had a reporter on the scene. And yet, news of the uprising was reaching a worldwide audience through the Internet. The source was an electronic newsletter with thousands of readers, written by the American who had uncovered the Bechtel connection, [Democracy Center executive director] Jim Shultz."<sup>23</sup> But those dispatches would end up magnified many times over because of a coincidence of timing.

During the same week that thousands filled the streets of Cochabamba to oust Bechtel, in the United States thousands were heading to the streets of Washington, D.C., to protest at the annual meeting of the World Bank and the International Monetary Fund (IMF). When Tom Kruse, a U.S. citizen living in Cochabamba, heard about the planned march in Washington, in the midst of the Cochabamba tensions, he arranged for groups organizing the event to fax invitations asking Olivera to come. The plan was never that he would actually go, but to use the invitations, released to the Bolivian media, as a way to scare off the government from arresting him again.

On the night that the water revolt ended, Olivera announced that he thought he should go to Washington to tell the story of Cochabamba's dramatic victory. Standing in his way, however, was his lack of a U.S.

entry visa, and it seemed unlikely that Olivera was high on the list of people the U.S. Embassy would like to let in. While he sat in the embassy in La Paz's waiting room for his visa interview, I received a call from a reporter for a U.S. newspaper chain asking my help to get an interview with Olivera. "How about an exchange?" I suggested that he call the ambassador directly and ask her if she planned to give Olivera a visa. Two days later, visa fresh in hand, Olivera was in the United States.

The Washington protests were the first major public actions since protests in Seattle six months earlier in response to a World Trade Organization meeting, and they had ignited a public debate over globalization. But the debate was still abstract. Into that abstraction and rhetoric flew a hot-off-the-streets drama with direct links to World Bank policy and one of the United States' largest corporations.

Olivera hadn't been off the plane for an hour before he was on a stage with Ralph Nader before thousands of activists. Maude Barlow, president of the Council of Canadians and one of the world's best-known water rights activists, announced to the crowd: "Our hero from Bolivia has arrived!" The short man in the black factory worker's cap was greeted with a three-minute standing ovation. Later that weekend, Olivera stood at the head of a huge procession making its way through Washington's streets. Standing beside him, I asked what he thought of his first visit to the United States. "It looks just like Cochabamba," he joked; "police and young people everywhere."

International media and researchers began cutting a path to Cochabamba in droves. *New Yorker* magazine came in early 2001, producing both a full-length magazine piece and, in coordination with PBS, a documentary aired nationally in the United States in 2002. On their heels came dozens of other filmmakers and academics from the United States, the United Kingdom, Europe, Latin America, and elsewhere. Long after the Cochabamba Water Revolt had become a distant memory for most of the people who actually lived it, writing about it and making films about it was becoming a global enterprise.

### *Impacts on the Global Water Debate*

It was not just in the streets of Washington that the legacy of the water revolt was having an impact beyond Bolivia's borders. Around the world it was lifted up as an example and an inspiration in other public fights to keep water under public control, from Atlanta to Stockton and Uruguay to India. "The Coalition for the Defense of Water and Life was, without doubt, the clear example here for the struggle for dignity and

the promise that ‘another world is possible,’” said Uruguayan water activist Adriana Marquisio.<sup>24</sup> The noted Indian activist Vandana Shiva later wrote that the Bolivian water revolt “provides a political education for every community struggling to reclaim their common and public spaces in this age of corporate globalization.”<sup>25</sup>

The impact of the water revolt also reached into the halls of global policy making. Officials at institutions such as the World Bank found themselves having to defend their policies in the aftermath of Cochabamba. During 2000, the World Bank’s president, James Wolfensohn, found himself directly questioned about the water revolt before journalists in Washington. Defending bank policy, he argued that impoverished countries needed to apply “a proper system of charging” in order to keep the poor from wasting water.<sup>26</sup> The bank’s chief water official, John Briscoe, was drawn into defending the bank’s water privatization policies from the pages of Canada’s daily newspaper *The Globe and Mail*, to PBS’s Cochabamba film, to an international water summit in Japan.

Within some institutions, Cochabamba also seeded some internal reflection about the policies of privatization. In 2002, the Latin American water unit at the IDB asked me to visit its office in Washington. The conversation began with the question, “What is it that you think we can do to help public water companies function more efficiently?” While the Cochabamba Water Revolt and other water campaigns that followed afterward have not changed the fundamentals of the global water policies coming out of these Washington-based institutions, they have forced a more open debate.

### *Impacts on Bolivian Politics*

In Bolivia, the water revolt ignited a chain of events that provoked historic political and social change. For almost two decades Bolivian economics had been dominated by the Washington consensus, market-driven policies pushed by the World Bank and the IMF and carried out by national leadership that was fiercely obedient to those policies. The water revolt shook those arrangements to their core.

“We have always repeated those slogans ‘Death to the World Bank,’ ‘Death to the IMF,’ ‘Down with Yankee imperialism,’” said Olivera. “But I believe that it is the first time that the people understood in a direct way how the policies of the World Bank, free trade, free markets, [are] putting us at such a disadvantage among the most powerful countries.”<sup>27</sup>

Álvaro García Linera, elected vice president in 2006, wrote as a political analyst in 2001 that the water revolt marked the rising of “the multitude.” That multitude, he declared, “possesses an organizing force capable of challenging the relevance of the prevailing systems of government . . . and of erecting alternative systems for the exercise of political power and the conduct of legitimately democratic life.”<sup>28</sup>

Where once Bolivian governments found themselves in de facto power-sharing arrangements with the military, after April 2000, a succession of weak governments—all elected with 25 percent or less support from voters—found themselves in a form of power sharing with a rising tide of Bolivian social movements, whose primary demands were to change the country’s economic direction.

The first clear evidence that the water revolt had triggered something bigger in Bolivian politics came in 2002, when Evo Morales, leader of Bolivia’s main coca grower unions, ran for the nation’s presidency at the head of the MAS (Movement toward Socialism) party. Challenging Washington-made economic policies was at the forefront of Morales’s platform and his rhetoric. Voting for Morales became the way to express at the ballot box what people had expressed on the streets in Cochabamba. That, and a public declaration against Morales by the U.S. ambassador at the time, helped propel him within a percentage point of finishing in first place.

In 2003, the challenge to foreign-pressured economic policies returned to the streets, in two huge explosions of public protest. The first came in February against economic belt-tightening policies demanded by the IMF. The second came that October, when word leaked out of a plan by President Gonzalo Sánchez de Lozada to export Bolivian gas at bargain prices through Chile to the United States. Eventually those protests would force Sánchez de Lozada’s resignation and set up national elections in December 2005 in which Morales was elected in a landslide victory as Bolivia’s first indigenous president. (For more on the gas issue, see chapter 3; for more on protests over IMF policy, see chapter 4.)

There is little doubt that the changes under way in Bolivia today owe greatly to the battle over water that took place in the streets of Cochabamba in the first months of 2000. As Morales told *Time* magazine in a May 2006 interview: “We needed to end that internal colonialism and return the land and its natural resources to those who have lived on it for so many hundreds of years, instead of putting our economy in the hands of the World Bank, the IMF and transnational corporations.”<sup>29</sup>

## BECHTEL STRIKES BACK

In November 2002, a year and a half after they were forced out of Bolivia, Bechtel and its co-investors struck back. In Washington, in a secretive international trade court run by the World Bank, Bechtel's water subsidiary filed a legal demand for \$50 million—a prize equal to what it costs to run the Cochabamba water company for seven years.<sup>30</sup>

### *A Case Behind Closed Doors*

Bechtel and its associates filed their demand with the International Center for the Settlement of Investment Disputes (ICSID), an arm of the World Bank created in 1966 to provide arbitration between countries and foreign investors. Since the 1970s, ICSID has received more than 330 cases with the number growing each year.<sup>31</sup> Cases are decided by three-member tribunals, one member picked by each party and another picked by mutual agreement.

For Bechtel, the World Bank trade court was an ideal forum, for both its secrecy and the long distance between it and the rebellious Bolivians who had caused them so much trouble. Hearings by ICSID tribunals are strictly closed-door. Neither members of the media nor the citizens who would ultimately pay a settlement are allowed to know when the tribunal meets, where it meets, who testifies, or what they say. The process assumes that the only representation that Bolivians needed was from the Washington law firm hired by the Bolivian government.

The other advantage ICSID offered Bechtel was that it eagerly enforced treaty accords allowing corporations to demand from governments not just their actual costs but lost profits as well. Bechtel's representative, Michael Curtin, told PBS, "We're not looking for a windfall from Bolivia. We're looking to recover our costs. Now, we can also claim lost profits. We may do so. That's a very large number."<sup>32</sup> In fact, a windfall, a massive one, is exactly what Bechtel and its associates were seeking. In a private communication between Bechtel's public relations department and the Democracy Center in January 2007, the company admitted that its investment in Cochabamba had been no more than \$1 million. Bechtel was demanding \$50 million.

But getting access to the World Bank trade court was not an easy task for Bechtel. In order for the company to bring its case to ICSID, its water subsidiary had to be headquartered in a country that had a trade agreement with Bolivia and that agreement had to name ICSID as

arbiter. The United States and Bolivia don't have such an agreement, nor do Bolivia and the Cayman Islands, where Bechtel located its water subsidiary on paper for tax purposes. In the fall of 1999, with Bechtel officials fretting over the potential Cochabamba reaction to their yet-to-be-announced price hikes, the company quietly moved its paper headquarters from the Cayman Islands to a tiny office in Amsterdam.<sup>33</sup> The Netherlands did have a trade agreement with Bolivia that let companies take their grievances to the World Bank trade court. On the eve of its price hikes, Bechtel was legally prepared for the worst.

### *The Coordinadora and Its Allies Mount a Campaign*

Very few people anywhere had ever heard of ICSID before Bechtel launched its Cochabamba case, and almost all of those who had were corporate lawyers. No ICSID case had ever faced a major challenge by citizens groups. Mounting an effective fight against Bechtel would be difficult. The Coordinadora, and its international allies, including the Democracy Center, launched a campaign based on a clear strategy—in a legal forum handpicked by Bechtel, the key to winning was not to beat the company legally but to undermine its willingness to wage the fight. The campaign targeted Bechtel and its leading officers.

The targeting of Bechtel began with its president and CEO, Riley Bechtel, the great-grandson of the corporation's founder, and started before the revolt ended. In April 2000, when the conflicts in Cochabamba were at their peak, the Democracy Center obtained the CEO's personal e-mail address and sent it to its two thousand readers worldwide, encouraging them to write and ask Bechtel to leave. Hundreds did, provoking the corporation's first public response to its Cochabamba debacle. Groups supporting the Cochabamba revolt also held a protest at the company's San Francisco headquarters. The public attack on Bechtel was resumed soon after the company filed its \$50 million case in Washington with media work, international organizing, and direct action aimed at Bechtel and its officials.

The campaign tied Cochabamba around Bechtel's public neck like a heavy weight that would not go away. Google reports more than 127,000 Web pages linking Bechtel to the Cochabamba revolt, including stories by scores of major news organizations and by activist groups across every continent. Journalists and citizens who had never heard of Bechtel before knew the name first for its association with the water revolt and the company's attempt to squeeze \$50 million from some of South America's most impoverished families.

In February 2002, Dutch activists scaled the outside of the building in Amsterdam where Bechtel had set up its paper-only headquarters and posted a large sign renaming the street for Victor Hugo Daza, the seventeen-year-old killed in Cochabamba. In July 2002, the city government in San Francisco, home to Bechtel's actual headquarters, passed a resolution calling on the company to drop the Bolivia case. That September in San Francisco, a public protest against the case blocked the entrance to the corporation's offices and ended in fifteen arrests. In February 2004, another protest, in Washington, D.C., brought opposition to the case directly to the house of Michael Curtin, head of the company's Bolivian subsidiary.

The campaign also took its demands directly to ICSID. In September 2002, with the legal support of Earth Justice, a public interest environmental law firm, water revolt leaders formally requested legal status to join the case. That demand was backed by an International Citizens Petition endorsed by more than three hundred organizations from forty-three countries, calling on the World Bank trade court to open the case to public scrutiny and participation. The case that Bechtel hoped would be quietly settled in its favor behind closed doors had become a major public story.

On January 19, 2006, representatives of Bechtel and its co-investors arrived in Bolivia. Sitting next to officials of the government, they signed a formal agreement in which they abandoned their \$50 million demand for a token payment of two bolivianos (thirty cents). Bolivia's lead negotiator, Eduardo Valdivia, explained why Bechtel had finally decided to drop its case. "The CEO [Riley Bechtel] personally intervened," he said. "He told his lawyers that the case wasn't worth the damage to the company's reputation."<sup>34</sup> It was the first time that a major corporation had ever dropped an international investment case as a direct result of global public pressure. It was a major victory for Cochabamba, a major victory for global activism, and an important precedent for the politics of future privatization cases like it.

#### A LEGEND WITH MIXED RESULTS

But what happened in Cochabamba after David slew Goliath? What did the water revolt mean for the people and their thirst for clean, affordable water? On the ground, the water revolt is a legend with markedly mixed results.

The clearest victory was on the issue that first sparked the revolt—the resistance by irrigators and farmers against having the national government and potentially a foreign corporation take control of their rural water systems. On April 10, 2000, along with the government announcement that Bechtel’s managers had left the country, Bolivian lawmakers also repealed the hotly contested water law. In the years since, the national irrigators’ union and its allies have won adoption of new water laws that strengthen assurances that water will be treated as a common good rather than as a commodity to be sold. It has been in the city, however, and in the management of the public water company taken back from Bechtel that the results of the revolt have been much less than romantic.

### *The People Take Over—but Not Really*

In the immediate aftermath of the water revolt, Coordinadora leaders joined with the city government and the water company union to take over management of the public company (named, again, SEMAPA). An interim board of directors was named and a water engineer who had been part of the professional team assisting Coordinadora, Jorge Alvarado, was appointed chief executive officer.

In its first few months, SEMAPA enjoyed a wave of public goodwill. It rolled back rates to their pre-Bechtel levels, and water customers quickly began paying their overdue water bills, refilling the company coffers that Bechtel’s representatives had drained during their brief tenure. Bechtel’s company left behind, among other things, an unpaid \$90,000 electric bill. Coordinadora leaders also rode a wave of public popularity and received a stream of offers of technical assistance from public sector water managers across the United States and Canada. Public companies under privatization pressures there knew that SEMAPA’s success or failure would have a significant impact on the global water privatization debate, and they wanted Cochabamba’s public company to succeed.

Behind the scenes in Cochabamba, however, the management put in place after Bechtel left town suffered problems from the start. Coordinadora leaders were deeply suspicious of the role of Cochabamba’s mayor in the company, given his part in approving the privatization. Leaders of the union representing SEMAPA workers, while mouthing the rhetoric of public service, seemed most interested in protecting their ability to add friends and relatives to the company’s payrolls. “In reality the company wasn’t retaken at all,” said Olivera.

The Coordinadora leaders who had organized on the streets tried to dive into the company's practical challenges—management issues, rate structures, expansion projects, and dealings with foreign lenders. With glazed eyes and declining interest in the details, the leaders from the streets decided that the Coordinadora needed to turn those details over to a “technical support team.” Put together in late 2000, the team included an academic, a former SEMAPA manager, and a pair of community organizers. They fanned back out to the rural communities and urban neighborhoods that had been the backbone of the revolt, assessing the challenges faced by the company and evaluating proposals for reform. Their goal was to set an agenda that could make SEMAPA genuinely representative of the people it was supposed to serve, and free of the corruption and mismanagement that had plagued it before.

The technical team proposed that company managers begin working directly with neighborhood committees to tap into community labor and skills and into local development funds to help get water to neighborhoods that lacked it.<sup>35</sup> “We did workshops with the employees and with communities across Cochabamba,” recalled Carmen Peredo of the Association of Irrigators, a member of the team. “But the director [Alvarado] didn't want the changes that came out of them.”<sup>36</sup> She also blames a lack of support from those who led the revolt. “The proposals were there, but the Coordinadora didn't fight for them.”

The one major reform that the Coordinadora did take up and did win, partially at least, was having a portion of the company's board of directors elected directly from the community. But when the first elections were held in April 2002 to select those community members, less than 4 percent of eligible voters went to the polls. In a city where, just two years earlier, people had taken to the streets by the thousands and risked their lives to take back their water, there was virtually no public interest in the nuts and bolts of running the water company.

Soon afterward, the Coordinadora technical team disbanded, and Coordinadora leaders shifted their sights beyond SEMAPA. Some focused on working directly with neighborhoods on water development projects. Some ran for and won election to Congress. Others took up new national battles, such as the demand for taking back control of the nation's oil and gas. Over time, the water company's management and performance began to draw all the same complaints as it did before

privatization—inefficiency, corruption, and the padding of the payroll by the union representing SEMAPA workers.

### *Unsolved Problems*

The work of a water company is, as one technical expert said to me, “not rocket science.” Water systems, be they public or private, need to find sources of water, buy pumps, lay pipes, connect users, and come up with a sustainable financing scheme to pay for it. SEMAPA’s record in accomplishing those tasks is, once again, a mixed bag.

Cochabamba still faces the same intrinsic water challenges it always has. The city has continued to grow rapidly since April 2000, and Mother Nature hasn’t added any new sources of water to help expand service. SEMAPA’s area of responsibility encompasses just over 500,000 people, half of whom still have no water or sewage service hooked up to their home.<sup>37</sup> Most of those families live in the city’s southern outskirts, still the center of immigration into the Cochabamba valley. Critics of SEMAPA (and of the water revolt) are quick to seize on that ongoing gap in service, but as usual with statistics, there is more to be said. The story of water in Cochabamba is most centrally about how fast the system can expand.

In the seven years since the water revolt, SEMAPA has more than tripled the size of its service area.<sup>38</sup> That expansion is based on a policy that, as a public company, SEMAPA has a responsibility to provide service to all residents of Cochabamba, not just those fortunate enough to live in areas where infrastructure is already in place. This policy of inclusion stands in contrast, for example, with the privatized water system in La Paz and El Alto, where a French-owned company, Suez, all but abandoned the growing and impoverished outskirts.)

But the number of new hookups also doesn’t tell the whole story. Most days the new tanks and pipes laid in the city’s south deliver no water at all. “Their dream was to have water every day, twenty-four hours a day,” says Coordinadora activist Gissel Gonzáles of the families in the city’s south. “Six years after the water revolt they still have water three days a week for two hours per day.”<sup>39</sup>

Water experts who know SEMAPA well say that the company has failed to address its two biggest problems. In a valley still deeply thirsty for water, SEMAPA loses about 55 percent of the water it has to leaks in the pipes and to clandestine hookups. And despite a steady flow of financial support from international donors and lenders, including the Japanese

BOX 1.2

## Public versus Private: SEMAPA and Suez

At the heart of the water revolt lies an important policy question: are people better off with a water system operated by a public company or a private one? A comparison between two Bolivian cities offers an interesting case. Since 2000, Cochabamba has operated under a public water company, SEMAPA, while the cities of La Paz and El Alto operated, until 2007, under a firm run by a large private water corporation, Suez of France.

In 2003 Suez's Bolivian water company (Aguas del Illimani) reported achieving "100 percent coverage" for its water service in La Paz and El Alto.<sup>1</sup> By contrast, SEMAPA reported in 2004 that in Cochabamba its water service coverage still hovered at a meager 46 percent and had remained virtually unchanged in the four years since its takeover from Bechtel.<sup>2</sup> On the face of it, private versus public seemed like no contest at all. But the real story lies beneath those numbers.

First, the two companies have radically different definitions of what it means to be "covered" in terms of water service. In Cochabamba, SEMAPA defines coverage to mean you have a water hookup to your house. In La Paz and El Alto, Suez claimed coverage if you had a water pipe running down your street, whether your home was actually hooked up to that pipe or not. And with hookups under Suez costing more than three and a half months of minimum-wage salary, many families can't afford them.

Second, the companies in La Paz and El Alto and Cochabamba also have radically different notions of who they are obligated to serve. Both areas are marked by established urban centers with developed infrastructure, surrounded by outskirts where water infrastructure has to be built from scratch. When Suez negotiated its contract with the Bolivian government in 1997 (another privatization demanded by the World Bank), it essentially took a map of the region, drew a line around the areas where water pipes were already in place, and established that as its "service area." It excluded the communities, most notably in rapidly growing

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government and the IDB, the company still doesn't have a sustainable financing plan in place. One water expert familiar with SEMAPA's internal workings blames the problems on mismanagement: "It is an organization that is completely dysfunctional. They don't generate enough income to cover their costs, and they are letting the system deteriorate."

And the people paying the cost, the expert said, are the valley's most impoverished families. With the resources SEMAPA has been given "you ought to be able to provide water twenty-four hours per day, and the poor should actually pay less."<sup>40</sup> Luis Sánchez, who was a key leader in the water revolt and later served as the elected SEMAPA board representative for the city's southern neighborhoods, put it more bluntly: SEMAPA "is still a space for robbing money."<sup>41</sup>

El Alto, where infrastructure was absent and would be costly to provide. It was the water equivalent of a health insurance company carefully excluding people who might get sick. In contrast, in Cochabamba since the departure of Bechtel, SEMAPA has repeatedly expanded its service area, tripling its geographic obligations and increasing by 14 percent the number of families it needs to serve.<sup>3</sup>

Between 1997 and 2004, in a region surrounded by glacier melt and other abundant local water sources, Suez claims to have increased the number of homes connected to water service by 50 percent (78,000 connections).<sup>4</sup> SEMAPA, operating in a region where water has to be brought in from elsewhere, increased the number of homes connected by 16 percent (9,000 connections) during roughly half as many years.<sup>5</sup> In January 2005, citing Suez's policy of excluding more than 200,000 residents from its service area, angry residents of El Alto led Bolivia's second water revolt, resulting in a decision by the government to nullify the French company's contract and organize a new public utility to takeover.

1. Carlos Crespo F. and Omar Fernández, "Informe Final: Estado, Movimientos Sociales y Recursos Hídricos. Presión Social y Negociación Luego de la Guerra del Agua de Cochabamba" (Final Report: State, Social Movements and Water Resources. Social Pressure and Negotiation after the Water War of Cochabamba) (Programa Conflictos y Colaboración, Universidad de la Paz Costa Rica, CESU-UMSS, IDRC, 2004), 275. See [http://idrinfor.idrc.ca/archive/corpdocs/12152/5-CESU\\_2.pdf](http://idrinfor.idrc.ca/archive/corpdocs/12152/5-CESU_2.pdf).

2. "Informe de Gestión-Gerencia Comercial" (Management Report of Commercial Management), SEMAPA, Cochabamba, 2004, p. 43.

3. Ibid.

4. "Aguas del Illimani le informa" (Aguas del Illimani Informs You), Special newsletter from *Aguas del Illimani*, La Paz, Bolivia, 2004.

5. *Informe Gestión 2004, Gerencia Comercial Comparativo por Gestiones* (Management Report 2004, Comparative Commercial Management Report), SEMAPA, Cochabamba, Bolivia, p. 4.

In good part because of SEMAPA's failures, many outlying neighborhoods in the valley have stepped up their efforts to solve their water problems themselves, with the Coordinadora playing an active part. Gonzales explained the experience of one neighborhood, Villa Pagador: "The community organized and dug a well 393 feet deep. That water is then pumped 7.5 miles to a tank that serves two hundred families. They decide themselves how much they will pay. If a pump breaks, they decide together how much each family will pay to help fix it. But 1,600 more people still lack water service. They need a bigger tank, more pipes. They need sewers."

This community approach to getting water is being repeated in many communities in the valley, often in cooperation with SEMAPA, with the

company buying the pipe, for example, while the community provides the labor. Other communities leave SEMAPA out of the picture on purpose, arguing that by administering the water themselves they save having to pay the high administrative costs that SEMAPA would add if it controlled the water. Some communities are negotiating hybrid arrangements with SEMAPA, in which the public company gets water to the neighborhood and the neighborhood administers its distribution to residents.

This ad hoc system is not without problems, to be certain. It still subjects fragile groundwater supplies to overuse, and it can lose out on some of the efficiencies that a larger system can offer. It also only addresses the problem of access to water and not the parallel problem of sewage removal. But in many parts of Cochabamba, seven years after the water revolt, the spirit of public participation in water issues is most present in these projects. They are an example of the kind of collaboration between communities and the water company that many had hoped for when the water revolt was fought.

### *A Recipe for Repair*

What will it take for the people of Cochabamba to realize, in a practical way, their dream of clean and affordable water for all the families that live in this high valley?

“It gives me some shame to talk about SEMAPA,” said Carmen Peredo of the irrigators. “We have a historic responsibility to fix the company.” That recognition has been slow to echo through the organizations that helped lead the water revolt. They know that public admissions of SEMAPA’s many faults will be turned by their adversaries into claims that the water revolt itself was a mistake, that Cochabamba would be better off if Bechtel had stayed. The best way to defend the water revolt’s legacy is to make sure SEMAPA, as a public company, is a success.

That work needs to begin with a clear analysis of SEMAPA’s problems and a concrete set of proposals to address them. The Coordinadora and other citizens in Cochabamba have worked on these issues since the revolt, but that work has focused almost exclusively on process issues and almost never on the concrete nuts and bolts of company operations. Water activists in Cochabamba focus on how to build “social control” of SEMAPA—by having a board genuinely elected by communities, making its members and SEMAPA staff hold forums in neighborhoods, and engaging in joint planning with neighborhoods.

Social control of a public company is clearly important, but looking at process issues without looking at actual operational issues—such as the leak problem and SEMAPA's finances—has left the operational issues a mess. Not only do water activists in the valley lack clear positions on these matters; when the company has tried to undertake practical solutions, water activists have sometimes made it more difficult. For example, in 2006, when SEMAPA was pushed by the IDB to increase rates (unchanged in six years) just to account for inflation, activists attacked the proposal bitterly. But if costs are increasing and rates aren't keeping pace, how is the company supposed to keep up with the demand for expansion? Wading into the details of running a water company isn't romantic, but it is essential.

Luis Sánchez, the Coordinadora leader who later served in Bolivia's National Water Ministry, says that the only way to deal with the entrenched mismanagement that continues to plague SEMAPA is to combine pressure from the community with expert regulation by the national government. "We need intervention from above and below."

The "from below" part in Cochabamba has already begun. Neighborhood groups have marched to SEMAPA's headquarters the way they once marched to Bechtel's, demanding action. Pressure from the community led to a change in leadership of the union, when evidence surfaced of payroll padding and other corruption. The company's elected board members were scoured publicly when it was revealed that they were paying themselves expensive attendance bonuses for meetings that never even took place.

The national government, through the Water Ministry, has made some overtures toward regulation from above, but with little effect. The other source of pressure from above, one that has actually been a positive influence on efficiency at SEMAPA, is its chief lender, the IDB. But Bolivians shouldn't wait for pressure from Washington to make their water company work better, any more than they accepted pressure from Washington to make it private. The road to having an efficient public company that can provide water every day is still a long and winding one in Cochabamba.

## CONCLUSION

Water privatization came to Bolivia as a theory, on the wings of foreign coercion. The World Bank officials who pushed the plan to bring in multinational corporations proclaimed that it would deliver three things

that impoverished countries desperately needed—strong managers, skilled technical experts, and investment in expansion of service. That's how it looked on paper. In Cochabamba, however, the theory didn't work out quite the way its authors and proponents said it would.

The foreign managers sent in by Bechtel proved so unskilled that they got kicked out by a popular rebellion just a few months after they arrived. Further, when the government began shooting people in the streets to defend the company's interests, rather than try to help diffuse the conflict, Bechtel's people just poured gasoline on the flames with public announcements that they were in town to stay.

The technical expertise that Bechtel promised, and planned to charge a good deal for, proved to be available to Bolivia for free, from water experts all over the world eager to help. The much-needed capital that Bechtel was supposed to bring amounted to an up-front investment of just \$1 million to acquire a forty-year lease worth vastly more. The cost of Bechtel's capital would be a guaranteed profit of 16 percent per year, and financing that high profit was one of the reasons for the big rate hikes that led to the rebellion.

Water privatization should not be held out as a matter of economic theology, something unchallengeable, by either its proponents or its critics. Privatization in general is not inherently good or evil. The debate is in the details. In Bolivia, there is a spiritual objection, among many, to ever putting water, the *blood of the earth*, into corporate hands. But in the case of water, that spiritual opposition to privatization also happens to be backed by experience and analysis. As a practical policy, water privatization suffers four huge problems.

The first is the natural way in which privatization prices water beyond what low-income people can afford. The World Bank is an advocate of "market pricing" of water, and in the Cochabamba case it directly argued against subsidies that might have made water affordable for the city's poorest families.<sup>42</sup> In nations both impoverished and wealthy, people with low incomes cannot afford the actual market cost for basic services. In the United States, states commonly provide "lifeline rates," subsidizing everything from electricity to basic phone service. In Cochabamba, privatization and Bechtel's profit demands priced water out of reach for many families.

The second problem is the distance that privatization puts between water users and those who make the real decisions. How is a teacher, or a seamstress, or a farmer in Cochabamba supposed to have any measure of influence on a major foreign corporation a hemisphere away? For

all of the public company's faults, at least in Cochabamba today, when people want to complain, they know where to go and they get attention. Bechtel proved immune even to bloodshed.

Third, privatization opponents are justified in worrying about the protection of workers' rights. While there is certainly in Cochabamba a clear record of the water company union taking too much control, labor rights still matter and private companies are by nature far less interested in those rights than are public companies.

Last, it is important to note that while World Bank officials evidently deemed the Bolivian government insufficiently competent to run its public water systems, it acted as if that same government *was* sufficiently competent to negotiate a handover of its water to a huge foreign corporation and to capably regulate that corporation's work. This too proved false theory.

Privatizing a water system as a whole means handing over total control over a resource that is essential to life. That is the root of privatization's failures. But that doesn't mean that a public company cannot contract specific tasks out to private firms. Who lays pipe in the street is not a moral issue. In some cases it may well be good public policy, even in Bolivia, to contract out specific work, while keeping control of the system in public hands. "I think we need to rethink our critique of possible private participation in water. We've been too ideological," said René Orellana of Agua Sustentable, who served as a key Coordinadora adviser during the water revolt and later as vice minister of water in the government of Evo Morales.

In the end, Cochabamba's famous water revolt was really three separate battles. The first was fought and won in the streets of Cochabamba in 2000. It became an inspiration to so many because some of the most humble people in the world risked their lives to take on one of the most powerful corporations in the world, and they won. "The Bolivian water revolt has had an enormous impact on the global fight for water rights," said Maude Barlow, the water rights leader from Canada. "The personal stories of heroism and struggle of the Bolivian people are very powerful and have been recited over and over all around the world."

The second battle was the fight to block Bechtel from taking \$50 million from the people who ousted it. That battle was won by building alliances that stretched from Sri Lanka to San Francisco and by having a clear, relentless strategy to make Bechtel bear, in public, the weight of its actions.

The third battle, the far less romantic one, is the one taking place in Cochabamba today. It is the struggle to match the dream of the water revolt with the reality of a solid public water system that serves everyone. On that one the jury is still out. “The thought that the people could simply recover the water company was an illusion,” said Jenny Frías Alonzo, a resident of a Cochabamba low-income neighborhood and an activist in the revolt. “I don’t think that the water revolt ended [in April 2000] but began then. Now the people are conscious that this is a process that continues.”<sup>43</sup>

In the end, how *did* the people win the Cochabamba Water Revolt? Was it skilled organizing? Was it the foolishness of the company to raise rates so high and so fast, or the arrogance of the government to send out police to try to break the protests? Looking back on it now, it seems clear that what actually won the water revolt was heart. In a moment in history when so many people seem frozen by the complexity of things, the people of Cochabamba saw in the water revolt a simple issue of right and wrong and had the enormous courage to fight for what they believed to be right. It is an example that reverberates still.