BOLIVIA: THE WATER WAR WIDENS

Cochabamba riot police near graffiti: "The water belongs to the people!"

BY JIM SHULTZ

Before April 2000, few people outside of Bolivia had ever heard of Cochabamba, a city of 600,000 tucked away in the Andes. Four months into the new century Cochabamba became a powerful symbol in the rising rebellion against privatization. Standing down soldiers, resisting a declaration of martial law and rising up against a wave of economic theology, South America’s poorest people evicted one of the world’s wealthiest corporations and took back something simple and basic—their water.

In the 1980s and 1990s, the World Bank and International Monetary Fund made Bolivia a key testing ground for a set of economic policies imposed from above—a program dubbed by its critics as “neoliberalism.” These policies included rollbacks in labor rights, cutbacks in public spending and the centerpiece—selling or leasing public enterprises to private investors, usually foreign corporate consortiums.


When Gonzalo Sánchez de Lozada—nicknamed “Goni”—took over the nation’s presidency for the first time in 1993, he began implementing this policy of privatization with enthusiastic abandon. In 1995 and 1996 alone the government privatized the five largest state enterprises: the oil company, the phone company, the national airline, the electric company and the national train system. Under Goni’s Bolivian version of privatization, the government sold off 50 percent ownership in the state companies, turning over management to the government’s corporate partners and supposedly generating billions of dollars in funds to support a new senior citizen pension plan and other projects.

Reality, on the other hand, did not turn out quite so lovely. The sale of the oil company cost Bolivians millions of dollars more in lost profits than what they gained from the sale. The national airline has been in a state of crisis so chronic that the Bolivian government divorced its corporate co-owner. Electricity rates have skyrocketed and the national railroad was disassembled and sold off for parts by its Chilean
owners. The great sums promised from these sales of public assets seemed to barely trickle down into the pockets of the poor and flow freely into the coffers of the wealthy Bolivians who cut the deals—with major corruption scandals a regular fixture. The Bolivian public’s taste for privatization soured fast and a new term was developed—applied most often to Goni and his privatization allies—vende patria, country-seller.

In 1997, the World Bank set its sights on one more privatization target, Cochabamba’s public water system. Bank water officials believe in privatization the way other people believe in Jesus, Mohammad, Moses or the Buddha. They argue that it is essential as a means of securing capital for water development and to bring aboard skilled management. In public the Bank softens its tone, calling privatization just one option and “not a magic pill.” Behind closed doors, however, Bank officials are not so subtle. In June 1997, Bank officials told Bolivia’s president that $600 million in international debt relief was dependent on Cochabamba putting its water into corporate hands.

Bank officials would later claim that they didn’t like the details of the way Bolivia negotiated the privatization, but the Bank’s role as the force behind it is indisputable. In September 1999, in a closed-door process with just one bidder, Bolivian officials leased off Cochabamba’s water until the year 2039, to a subsidiary of the California engineering giant, Bechtel.

Just weeks after taking over the water, Bechtel’s company hit local families with rate increases of up to 200 percent and sometimes higher. Workers living on the local minimum wage of $60 per month were told to pay as much as $15 just to keep the water running out of their tap. Tanya Paredes, a mother of four who supports her family knitting baby clothes, saw her water bill increased from $5 per month to nearly $20, a rise equal to what it costs her to feed her family for a week and a half. “What we pay for water comes out of what we have to pay for food, clothes and the other things we need to keep for our children,” she said.

A new coalition of factory workers, farmers, environmental groups and others was formed to challenge the privatization—the Coalition for the Defense of Water and Life, La Coordinadora. In January 2000, after the water company announced its huge rate increases, the Coordinadora organized a citywide general strike. For three days Cochabamba was shut down. Blockades closed the two main highways leading in and out of town. The airport was shut. Roadblocks fashioned out of piles of rocks and tree branches cut off all traffic in the city. Thousands of Cochabambinos occupied the city’s tree-lined, colonial central plaza. Under enormous public pressure, the government signed an agreement to review water rates.

Then the government broke its word and with no change in rates forthcoming, the Coordinadora announced a march to the city’s main plaza in early February. The government declared the protest illegal and sent in 1,200 heavily armed police and soldiers to seize control of the city’s center. Goni’s successor, President Hugo Banzer, the 1970s era dictator, made it clear that Bechtel’s contract would be protected with tear gas and bullets. More than 175 people were wounded, most victims of tear gas canisters or police beatings. The government lost all public legitimacy and finally announced a temporary rate rollback for six months.

In the aftermath of the February repression the Coordinadora leaders took their demands one step further, calling for a cancellation of the privatization contract altogether. They announced the Final Battle, an April general strike and highway blockade that would not be lifted until Bechtel was gone and a new law was enacted to guarantee water rights. For two days the government tried to ignore the protests altogether, then agreed to a negotiation session moderated by Cochabamba’s Catholic archbishop. As Coordinadora leaders began to lay out their position, police under orders from Banzer’s national government burst into the meeting and put the Coordinadora leaders under arrest. The next day Banzer imposed a state of martial law, arresting protest leaders and flying them to a remote jail in Bolivia’s jungle. Soldiers forced local television and radio stations off the air.

The public response was quick and furious. In my neighborhood an old woman with a bent back laid out rocks in our street to block it. Young people, dubbed “the water warriors,” headed downtown to challenge Banzer’s troops. Women traveled door to door to collect rice and other food to cook for the people who remained camped in the plaza.

On Saturday afternoon—day five of the protests and the first day under martial law—a local television station captured footage of an army captain, Robinson Iriarte, a graduate of the U.S. School of the Americas, disguised in plain clothes as he shot live rounds into a
crowd of protesters. An unarmed seventeen year old boy, Victor Hugo Daza, was shot and killed with a bullet through the face. His friends carried his bloody body to the main plaza and held a wake.

Alerted by Democracy Center reports from the scene, hundreds of people worldwide sent e-mails to Bechtel’s CEO demanding that the company leave. In Cochabamba it was becoming clear that the people would not back down. Bechtel’s officials fled the country, the water contract was canceled and a new, publicly controlled water company was installed. Just days later, Oscar Olivera, a key leader of the protest, was in Washington, speaking at the April 2000 protests against World Bank and IMF policies, including forced privatizations like the one in Cochabamba. The Bolivian water revolt had become an international symbol of popular resistance to global economic rules imposed from above.

Bechtel, meanwhile, signaled that it was not done with Bolivia quite so easily. In November 2001 the mega-corporation filed a $25 million legal action against Bolivia in a closed-door trade court operated by the World Bank, the International Centre for the Settlement of Investment Disputes. The same institution that had forced the water privatization to begin with was being set up by Bechtel to be its judge. In a process so secret that Bank officials won’t reveal when hearings are held, who testifies or what they say, Bechtel aimed to take from Bolivians an amount equal to what it costs to hire 12,000 public school teachers. The case is also a preview of the secret trade courts planned under the proposed Free Trade Area of the Americas. In August 2002 more than 300 citizen groups from 41 different countries filed an International Citizens Petition with the World Bank, demanding that the doors of its secret trade court be opened up to public scrutiny and participation.

In the June 2002 elections in which Goni became Bolivia’s president for a second time, voters made international headlines when they came just two percentage points shy of making Evo Morales, the leader of the coca growers union and socialist candidate, the top finisher. Morales’ campaign received a last minute boost when U.S. Ambassador Manuel Rocha publicly implored Bolivians not to vote for him. However, another important reason for Morales’ surprising success—and many political observers believe that he could easily finish in first place in 2007—was that his candidacy became an expression of public opposition to neoliberal policies, first among them privatization.

During the campaign, Morales and his party allies in the Movimiento a Socialismo (MAS) railed against the government’s policy of putting the resources of the country into foreign hands. Even political rivals from the center and right, such as Jaime Paz Zamora and Manfred Reyes Villa, took up the anti-privatization chant, despite the fact that they had played a role in past government sell-offs. Villa, as mayor of Cochabamba, had been a signatory to the Bechtel water privatization deal.

MAS’ strong second place showing swept a wave of new leaders into the national congress, many of whom come directly from indigenous communities. With the Congress as a platform, Morales and others are waging a direct battle against privatization, especially with the return to the presidency of Sánchez de Lozada, Bolivia’s privatization champion. Says Morales, “We want to get our companies and natural resources back, because we can’t allow them to be concentrated in the hands of a few transnational corporations.” Morales has since introduced legislation
in the Bolivian congress aimed at reversing some of the privatizations already carried out.

Bolivia's ongoing battles against privatization will not just be limited to congressional debates over legal changes, however. Earlier this year a group of more than 500 miners staged a series of blockades along main highways demanding that the Huanuni tin mine and the Vinto foundry be transferred back to the state-run Bolivian Mining Company, COMIBOL. The mine and foundry were partially privatized in February 2000 in a joint venture between the government and a British firm. In June, the government agreed to take back control of both—again, amidst reports of public corruption in the original privatization deal.

"Many people say it is impossible to fight against the neoliberal model," says Leny Olivera, a 23-year-old university student involved in the water protests. "But we showed that you can, not just in Bolivia but in the world. The humble people are the majority and are more powerful than multinational corporations."

---

**COLOMBIA: TAKING A STAND IN CALI**

**BY BEATRICE EDWARDS**

Emcali is the public company that provides water, energy and telecom services to two million people in and around Cali, Colombia and good jobs at good wages to nearly 3,000 public workers. These workers are virtually 100 percent organized and belong to SINTRAEMCALI, a public service union fighting a long-standing battle against the privatization of the company.

SINTRAEMCALI took desperate measures in December 2001 to prevent privatization: The union occupied the administrative tower of Emcali on Christmas Day, after the government announced its plan to sell and concession the company. The workers demanded guarantees against privatization along with repair of the public systems that had been destroyed and neglected in preparation for privatization. For 35 days, the union occupied the tower, and reached an agreement with the government on January 29, 2002, after several days of high-tension police posturing in Cali and Bogotá.

At the time, the agreement was a victory for SINTRAEMCALI and for the community using its services, but the price has been high. Two activists affiliated with SINTRAEMCALI have been assassinated since the tower occupation ended, two members of the union's leadership have narrowly escaped abduction and a former union president has been constantly followed by armed men.¹

Nonetheless, the national government agreed not to privatize Emcali and not to raise the rates for public services beyond those charges included in the 2002 budget. No disciplinary measures would be taken against any worker, and all workers would be paid their salaries for the period of occupation of the Emcali tower. Finally, a new mayor in Cali agreed to convene a public hearing to inform citizens about the finances of the enterprise and the future of Emcali. But the IDB still wants Emcali sold, and the drama is not yet over.

Emcali was established in 1961, as the city of Cali grew. As demand for services increased, Emcali expanded in scope; by the 1980s, the company had become an important source of graft for local politicians and unscrupulous entrepreneurs. At the time, Emcali was run by a Liberal Party sect under the thumb of retired Senator Gustavo Balcazar, and while sitting on its board of directors, city council members routinely helped themselves to 15-percent-or-so "commissions" for the awarding of lucrative contracts. Before illicit enrichment became a punishable crime in Colombia, board members turned wealthy overnight without ever confronting awkward questions about the spontaneous origins of their personal fortunes.

Until the mid 1990s, these individual thefts were not enough to break the company, but between 1993 and 1998, under a new set of Conservative Party cronies,
NOTES

IDB Plan For Selling Off The Public Sector
21. See for example, Guyana: Nonreimbursable technical-cooperation funding for the design of the public sector modernization program, Inter-American Development Bank, 1999, January 4, 2000. “However, relatively more risk is associated with the future implementation of the reforms to be designed, particularly the employment rationalization and retrenchment. The risks may include 1) a militant labor force and 2) a volatile political environment in the run up to elections at the end of 2000. In order to mitigate these future risks from the design stage, the project will develop flexible policy options rather than single recommendations; initially entail only a voluntary rather than compulsory retirement and involve consultants with expertise in Caribbean labor relations,” p. 2. Consultants retained to design the project were paid $50,000 from this IDB grant.
22. Meeting with Colombian legislators (Guillermo Rivera, Pedro Arenas, Edmundo Maya, Wilson Borja, Lorenzo Almendá, Gustavo Petro, Pedro Pardo), Bogotá, Colombia, July 26, 2002.

Railroad Concessions
4. Javier Campos and Pedro Cantos, “Railways,” in Privatization and Regulation of Transport Infrastructure: Guidelines for Policymakers and Regulators, Antonio Estache and Gis des Ruus, World Bank Institute, World Bank, Washington, D.C., 2000, p. 192. The study adds that concessions have been the favored form of restructuring because it allows the government to retain ultimate control over the assets, while the private sector carries out day-to-day operations according to pre-specified rules devised in a contract, which transforms the problem of conflict with the traditional regulation into issues of contract enforcement, ibid., p. 93.
9. Symposium on the Social and Labor Consequences, ILO.
14. Consequences for La Fraternidad Workers.
15. Consequences for La Fraternidad Workers.

Bolivia: The Water War Widens
4. Iriarte was later put on trial in a Bolivian military court and was acquitted. Immediately following his acquittal the army promoted him to Major.

Colombia: Taking A Stand in Cali
2. Edgar Buitrago Rico and Orlando Marin Cifuentes of Revista Valle 2000 were both anonymously threatened as they attempted to investigate corruption at Emacli.
3. In October 2002, the new comptroller for the city of Cali, Amparo Cardona Echeverry, filed charges against the former director general of Emacli, Juan Fernando Burgos, managers and current and former board members for unnecessary contracting, negligence and embezzlement.