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LETTER FROM BOLIVIA

LEASING THE RAIN

The world is running out of fresh water, and the fight to control it has begun.

by William Finnegan

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In April of 2000, in the central plaza of the beautiful old Andean city of Cochabamba, Bolivia, the body of Víctor Hugo Daza lay on a makeshift bier. Daza, a seventeen-year-old student, had been shot in the face by the Army during protests sparked by an increase in local water rates. These protests had been growing for months, and unrest had also erupted in other parts of the country. The national government had just declared martial law. In Cochabamba, a city of eight hundred thousand, the third largest in Bolivia, a good part of the population was now in the streets, battling police and soldiers in what people had started calling *la guerra del agua*—the Water War. Peasants from the nearby countryside manned barricades, sealing off all roads to the city. The protesters had captured the central plaza, where thousands milled around a tiled fountain and the catafalque of Víctor Daza. Some of their leaders had been arrested and taken to a remote prison in the Amazon; others were in hiding.

The chief demand of the water warriors, as they were called, was the removal of a private, foreign-led consortium that had taken over Cochabamba's water system. For the Bolivian government, breaking with the consortium—which was dominated by the United States-based Bechtel Corporation—was unthinkable, politically and financially. Bolivia had signed a lucrative, long-term contract. Renouncing it would be a blow to the confidence of foreign investors in a region where national governments and economies depend on such confidence for their survival. (Argentina's recent bankruptcy was caused in large part by a loss of credibility with international bankers.) The rebellion in Cochabamba was setting off loud alarms, particularly among the major corporations in the global water business. This business has been booming in recent years—Enron was a big player, before its collapse—largely because of the worldwide drive to privatize public utilities.

For opponents of privatization, who believe that access to clean water is a human right, the Cochabamba Water War became an event of surpassing interest. There are many signs that other poor communities, especially in Third World cities, may start refusing to accept deals that put a foreign corporation's hand on the neighborhood pump or the household tap. Indeed, water auctions may turn out to test the limits of the global privatization gold rush. And while the number of populists opposing water privatization seems effectively inexhaustible—the leaders of the Cochabamba rebellion included peasant farmers and an unassuming former shoemaker named Óscar Olivera—the same cannot be said of the world's water supply. There was a great deal more than local water rates riding on the outcome of this strange, passionate clash in Bolivia.

The world is running out of fresh water. There's water everywhere, of course, but less than three per cent of it is fresh, and most of that is locked up in polar ice caps and glaciers, unrecoverable for practical purposes. Lakes, rivers, marshes, aquifers, and atmospheric vapor make up less than one per cent of the earth's total water, and people are already using more than half of the accessible runoff. Water demand, on the other hand, has been growing rapidly—it tripled



worldwide between 1950 and 1990—and water use in many areas already exceeds nature’s ability to recharge supplies. By 2025, the demand for water around the world is expected to exceed supply by fifty-six per cent.

Some of the resource depletion is visible from outer space. The Aral Sea, in central Asia, was until recently the world’s fourth-largest lake. Then Soviet planners dammed and diverted its source waters for cotton irrigation. The Aral has since lost half its area and three-fourths of its volume. Its once great fisheries have vanished; all twenty-four species native to the lake are believed to be extinct. The local climate has changed, and dust storms now plague the region.

Aquifer depletion, though less visible, is an even more serious problem. There is sixty times as much fresh water stored underground as in lakes and rivers aboveground. And yet parts of northern China, to take one example, are approaching groundwater bankruptcy. Beijing’s water table has dropped more than a hundred feet in the past forty years. In the United States, the Ogallala Aquifer, which reaches from Texas to South Dakota and is indispensable to farming on the Great Plains, is being drained eight times faster than it can naturally recharge. In vast areas of India, Mexico, the Middle East, and California’s Central Valley the story is the same.

Meanwhile, more than a billion people have no access to clean drinking water, and nearly three billion live without basic sanitation. Five million people die each year from waterborne diseases such as cholera, typhoid, and dysentery. This enormous, slow-motion public-health emergency is, in large measure, a result of rapid, chaotic urbanization in the nations of the Global South. Traditional water sources have been polluted, destroyed, overtaxed, or abandoned.

Annual rainfall is not always a measure of water wealth. Poland, for instance, gets plenty of rain, but its lakes, rivers, and groundwater are so polluted that it has as little usable water as Bahrain. Arid regions with the means to pay (Southern California, the Persian Gulf States) already pipe water in from wetter areas. New technologies are being hurriedly developed: huge fabric bags holding millions of gallons of fresh water are being hauled by barges across the Mediterranean, and there are businessmen in Alaska who believe that the state’s earnings from fresh water will eventually dwarf its earnings from oil.

For strategic planners at some of the world’s largest corporations, the global freshwater shortage coincides opportunely with privatization. According to Johan Bastin, of the European Bank for Reconstruction and Development, “Water is the last infrastructure frontier for private investors.” In the past fifteen years, municipal and regional water systems have been steadily coming onto the international market. Two French corporations, Vivendi Environment and Suez, lead the industry: Vivendi runs eight thousand systems in a hundred countries; Suez has operations in a hundred and thirty countries. The biggest American player, Bechtel, whose directors include former Secretary of State George P. Shultz, has always been notable for its political connections. The United States is itself a field for direct foreign investment in water. Suez is running Atlanta’s water system, and Vivendi recently bought U.S. Filter, a national water-services group, for more than six billion dollars.

But the main push is in the Global South, where, over the past twenty years, the World Bank and the International Monetary Fund have effectively taken control of the economies of scores of nations that are heavily in debt. The Bank and the I.M.F. have been requiring these countries to accept “structural adjustment,” which includes opening markets to foreign firms and privatizing state enterprises, including utilities. The Bank once had a quite different approach to public works: it was an enthusiastic financier of monumental projects, and would typically lend the money to build large dams. Many of the dams were spectacular failures, delivering few, if any, benefits (except to politicians and construction firms) while displacing millions of people and leaving behind environmental destruction and public debts. The Bank is now getting out of the dam business and into water privatization. It often works closely with the conglomerates, helping them to acquire the water assets of debtor nations.

The idea behind privatization is to bring market discipline and efficiency to bear on a crucial and frequently corrupt sector. Supporters argue that only private capital—which means, in practice, multinational corporations—can afford to expand water and sanitation networks sufficiently to reach the underserved poor. Since corporations are in business to make money, they often increase water rates. But, in theory, higher water rates can also help to promote conservation. Indeed, privatization advocates say, any valuable commodity—and this includes health care and education—that is provided free eventually gets taken for granted and wasted. According to this argument, turning water into a tradable commodity may even be the only practical way to avoid worldwide shortages and environmental disasters. Public

subsidies for essential services such as water may sound like humane policy, but in the real world subsidies benefit the powerful, because they have the resources to manipulate them.

In Cochabamba, which has a chronic water shortage, this unintended consequence was grotesquely clear. Most of the poorest neighborhoods were not hooked up to the network, so state subsidies to the water utility went mainly to industries and middle-class neighborhoods; the poor paid far more for water of dubious purity from trucks and handcarts. In the World Bank's view, it was a city that was crying out for water privatization.

I went to Villa San Miguel, a ramshackle settlement on an arid hillside a couple of miles south of Cochabamba, to find out how the global water business looks from the ground. My guide was a student named Fredy Villagomez, who grew up in Villa San Miguel and helped organize an independent water coöperative for the barrio. The coöperative is one of dozens that have been formed in recent years, in part with international aid. We rode out of the old city in a clattering taxi, down a road jammed with trucks, buses, minivans, donkeys, and pedestrians. It was a hot, clear afternoon; Mt. Tunari, a seventeen-thousand-foot peak, glittered in the northwest. Cochabamba sits in a wide, fertile valley at eight thousand feet—only a middling elevation in Bolivia, where the capital, La Paz, is at twelve thousand feet. To the east, beyond the mountains, lies the Amazon rain forest. Cochabamba is more than four hundred years old, but a recent influx of migrants from the countryside has caused its population to quadruple since 1976. Today, Cochabamba is ringed by dozens of *barrios marginales*—dusty, impoverished settlements that have sprung up to house the newcomers. Basic services—electricity, transportation, sanitation, water—are catch-as-catch-can in the *barrios marginales*.

"We started digging our well in 1994," Villagomez told me. Stocky, soft-spoken, with Indian features and thick eyeglasses, he was leading me down a rocky path to a small cinder-block pump house. "The planning took years. It was an expensive project, and a lot of work. All the residents helped, and we finished in 1997." The coöperative received technical assistance from Danish aid workers; there is a dirt road in the barrio—the Avenida Dinamarca—named for them. Villagomez urged me to peer into the dim pump house, which contained a single electric pump. "The well is a hundred and twelve metres deep," he said.

I thought that sounded awfully deep. Villagomez agreed. "Before, the water under this valley was at only twenty metres."

The well made a major difference to Villa San Miguel. Clean water was suddenly plentiful and relatively cheap—households paid the water coöperative between two and five dollars a month to cover the costs of running the pump and maintaining the system. "It gives water to two hundred and ten families," Villagomez said. "We felt a lot of pride in this achievement."

Then, in 1999, the Bolivian government conducted an auction of the Cochabamba water system as part of its privatization program. The auction drew only one bidder: a consortium called Aguas del Tunari. The controlling partner in the consortium was International Water, a British engineering firm that was then wholly owned by Bechtel. (An Italian company later bought a half interest.) But the government, unfazed by its own weak bargaining position, decided to proceed.

The terms of the two-and-a-half-billion-dollar, forty-year deal reflected the lack of competition for the contract. Aguas del Tunari would take over the municipal water network and all the smaller systems—industrial, agricultural, and residential—in the metropolitan area, and would have exclusive rights to all the water in the district, even in the aquifer. The contract guaranteed the company a minimum fifteen-per-cent annual return on its investment, which would be adjusted annually to the consumer price index in the United States. On coöperative wells such as Villa San Miguel's—which the government hadn't even helped build—the new water company could install meters and begin charging for water. Residents would also be charged for the installation of the meters. These expropriations were legal under a new water law that had been rushed through the Bolivian parliament.

The first Cochabambinos to question the terms of the water privatization were not the small water coöperatives that faced expropriation and crushing bills but local professionals—mainly engineers and environmentalists—and a federation of peasant farmers who rely on irrigation. They began calling public meetings to air their concerns. The government ignored them. At a contract-signing ceremony, the President of Bolivia and the mayor of Cochabamba drank champagne with consortium executives. The news of impending expropriations and rumors of big water-price hikes began to circulate.

The list of alarmed groups—neighborhood associations, water coöperatives, the labor unions—grew. There were street protests, and a broad coalition emerged, called the Coördinator for the Defense of Water and Life, or simply La Coordinadora, led by Óscar Olivera.

Olivera, who is forty-six, at first seems an unlikely leader. He wears a black leather-billed cap, which makes him look like a gentle, would-be street hood from the Beat era. He is small and sad-faced, and he often looks downward, inward—as if he were thinking extremely hard about something unpleasant. It's an especially striking manner in Bolivia, where virtually everyone presents a placid, reserved face to the world. Olivera's grandfather worked in Bolivia's huge tin mines; his father went to work as a carpenter when he was a child. Olivera started out as a machinist in a shoe factory, then went on to work for the factory's union. He is now the head of a confederation of factory workers' unions. Oddly, his air of distraction doesn't seem to unsettle anyone around him. Working people volubly engage him wherever he goes, calling him Oscarito.

"*Compañeros*," Olivera would tell crowds. "It's become a fight between David and Goliath, between poor people and a multinational corporation. They have a lot of money, and they want to take away our water."

The World Bank warmly calls Bolivia an "early adjuster." Other poor, indebted countries have had to be forced to accept structural adjustment, but in Bolivia the World Bank and the I.M.F. have enjoyed a deep understanding with successive governments since 1985. Public enterprises—the railways, the telephone system, the national airlines, the great tin mines of Oruro and Potosí—have been sold, mainly to foreign investors. (This fire sale goes on: a Bolivian government Web site lists dozens of factories, refineries, cement plants, paper mills, and municipal utilities that are still available.)

The tin mines, as it happens, had been nationalized after a popular revolution in 1952, which also destroyed the semi-feudal hacienda system that had been in place in Bolivia for centuries. The United States played an unlikely role in that revolution. The Eisenhower Administration, already busy undermining left-wing governments in Guatemala and Guyana, accepted the new government's plea that it was not Communist (even if some of its allies were) while demanding, and getting, a new investment code that permitted American companies to start operating in Bolivia's eastern oil fields. The United States increased food aid to help the new government survive, and saw to it that "state capitalism" became the official economic model.

An Army coup overthrew the elected government in 1964, leading to the first in a long string of military regimes. (Many of the officers involved had received "counter-insurgency" training in the United States.) They were not, except during a period in the late nineteen-seventies, as violent as those in Chile, Argentina, and Brazil. The unions and the left were repressed, but not so severely as to engender a guerrilla movement. By 1982, however, when civilian rule was finally restored, the Bolivian economy, plundered by the generals, was in ruins, and hyperinflation soon took hold, hitting an annual rate of twenty-five thousand per cent in 1985.

Enter "the Boys," also known as "the Chicago Boys," after a group of economists, educated at the University of Chicago, who implemented free-market policies (known in Latin America as neoliberalism) in Pinochet's Chile. In Bolivia they were led by Gonzalo Sánchez de Lozada, a wealthy mine owner who was then Minister of Planning (he was later President). Sánchez worked closely with Jeffrey Sachs, the Harvard economist who became famous for the "shock therapy" he designed for post-Communist Poland.

Bolivia's shock treatment was ferocious. The currency was devalued, all price and wage controls were abolished, government spending was cut, and the state-owned tin mines were effectively closed. The economy went into instant recession; unemployment soared. The inflationary spiral, however, was broken, and good relations between the government and the I.M.F. were restored, initiating a new flow of foreign investment and loans.

And for the past sixteen years Bolivia has dutifully followed the dictates of the World Bank and the I.M.F. Most of its people, however, have nothing to show for it. Poverty was never significantly reduced. This is not unusual in Latin America, where the poverty rate is higher today than it was in 1980—after a full generation of nominal democracy and ever-increasing free trade. But Bolivia, like Argentina, really put on what Thomas L. Friedman, the *Times* columnist, calls "the golden straitjacket" of liberalized economic policies. The predicted foreign investment materialized, but the prosperity did not. Landlocked, with a population of eight million and a wretched infrastructure, Bolivia remains the

poorest country in South America.

Hugo Banzer, who was Bolivia's military dictator in the nineteen-seventies, became President again after the last election, before stepping down last August in favor of his Vice-President, Jorge Quiroga, because of illness. Quiroga now sits at the head of a "megacoalition." The political class in Bolivia has always been small, rich, and overwhelmingly white, but rarely have the major parties, all business-aligned, shared a ruling philosophy so peaceably as in recent years. The consensus was that nothing and no one should be exempt from the discipline of the market. Then Bechtel came to Cochabamba and, as the local peasants put it, tried to "lease the rain."

When the first monthly bills from Aguas del Tunari arrived, in January, 2000, stunned business owners and middle-class householders began to join the Coordinadora's protests. Some bills had doubled, and ordinary workers now had water bills that amounted to a quarter of their monthly income.

Aguas del Tunari seemed to have given little thought to how its plans would be received in Cochabamba. The International Water executives who were actually doing the work in the city were engineers, not marketers, and, being newly arrived from abroad, they were not attuned to the problems or passions of the Bolivian public. Geoffrey Thorpe, the company's manager, simply said that if people didn't pay their water bills their water would be turned off.

In truth, the price hikes were not as arbitrary as they seemed. The consortium had agreed, in its contract, to expand the city's water system. This was going to be expensive, as was the large-scale repair job required by the deterioration of the existing system. "We were confident that we could implement this program in a shorter period of time than the one required by the contract," Didier Quint, the managing director of International Water, said. He added, however, "We had to reflect in the tariff increase all the increases that had never been implemented before." The consortium had also agreed to finish a stalled dam project known as Misicuni, which would pipe water through the mountains. This aspect of the deal seemed to make little sense—the World Bank had commissioned studies that pronounced Misicuni uneconomic. But the dam project had less to do with how privatization works in theory than with the reality of how multinational corporations must come to terms with local politics.

Plans for the Misicuni Dam have been around for decades. The mayor of Cochabamba, Manfred Reyes Villa, had campaigned hard to complete it and was undeterred by questions about whether it was worth building. Reyes Villa was a popular mayor. People liked to say that his good looks got him the women's vote—he is better known by the nickname Bombón (Sweetie)—but his political instincts are sharp. Despite the widespread poverty in his city, he had pulled off major vanity projects, including a gargantuan white statue of Christ on a hilltop. (This Cristo de la Concordia is supposedly six feet taller than its rival in Rio de Janeiro.) Reyes Villa had been a real-estate developer before he became mayor, and everyone in Cochabamba was quick to note the proximity of most new roads and parks to Bombón's properties. His political party, the New Republican Force, was a personal vehicle as well as a formidable municipal patronage machine, and people said that N.F.R., its Spanish abbreviation, stood for "Nueva Forma de Robar" ("New Form of Robbery"). Reyes Villa lived in conspicuous splendor, and when I visited, soldiers were guarding his estate. There was a wall-size oil painting of his family. "Poverty is growing here, with wealth being concentrated in very few hands," he told me earnestly while we sat in his mansion. Still, Bombón won elections, his party was in President Banzer's megacoalition, and he had national ambitions. More to the point, some of his main financial backers stood to profit fabulously from the Misicuni Dam's construction. When the central government first tried to lease Cochabamba's water system to foreign bidders, in 1997, and did not include Misicuni in the tender, Bombón stopped it cold. It was only the inclusion of the project in the Aguas del Tunari contract that got the Mayor on board.

The Water War began in earnest in February, 2000. "The people went to the plaza to demonstrate against the contract," Fredy Villagomez told me. "The young men were in the city center, trying to hold the plaza. Others were here, maintaining a barricade across the highway. The women were cooking for those on the barricade. There were many campesinos passing by, walking to Cochabamba to join the rebellion." Crowds of *regantes*—peasant irrigators—arrived in the city, marching under village banners, or *wiphala*. The women, *cholitas*, wore fine straw hats and shimmering pleated velvet dresses, and their black hair was braided in long pigtailed woven together in back with bright ribbons.

Most of the troops that Óscar Olivera could personally call out for demonstrations were *jubilados*—retired factory workers, old union men shuffling under battered fedoras, like faded figures on a postcard from some antipodal workers'

state of another era. For a great many Bolivians, the labor unions retain an association with a time when workers were organized and proud, and when Bolivia's railroads and airlines and mines belonged to Bolivians. It made symbolic sense, then, that Olivera, the leader of the Cochabamba rebellion, was a union man, even though only a minority of Cochabamba's factory workers are still union members. (In the union confederation's dingy offices on the corner of Cochabamba's central plaza, soccer trophies fill the shelves, but when I asked about them the receptionist explained that the unions could no longer field a team.)

The growing crowds of Coordinadora supporters were drawn instead from the informal sector of pieceworkers, sweatshop employees, and street vendors that has expanded enormously since the advent of structural adjustment and the closing of the tin mines. These men and women, most of them young, had more flexible schedules than workers in regular factories. Students from the University of Cochabamba, some of them middle-class anarchists, also joined in, carrying banners denouncing the World Bank, the I.M.F., and neoliberalism. But the front-line troops, particularly after the conflict sharpened and the authorities began to fire live bullets, proved to be the city's street children—an adolescent army of the homeless which has been growing in recent years.

The government's response escalated steadily. After the first protests, a ministerial delegation was sent to Cochabamba. By the end of the month, the water-price hikes had been rolled back, but the protests continued. Then the government sent in troops from Oruro and La Paz. Nearly two hundred protesters were arrested, and seventy civilians and fifty-one policemen were wounded. The Catholic archbishop of Cochabamba tried to mediate. In March, the Coordinadora held an unofficial referendum, counted nearly fifty thousand votes, and announced that ninety-six per cent favored the cancellation of the contract with Aguas del Tunari. "There is nothing to negotiate," the government replied.

In April, protesters again occupied Cochabamba's central plaza, and when the Coordinadora's leaders, including Óscar Olivera, arrived at the governor's office for a meeting they were arrested. After they were released the following day, some went into hiding. Then more leaders were arrested, and some were taken to a jungle prison in the Amazon. The house of Óscar Olivera's parents was searched four times.

Protests had begun to break out in other parts of the country—in La Paz, Oruro, and Potosí, and in many rural communities—and national peasant organizations held demonstrations. By this point, most of the country's major highways were blocked.

Bolivia's rulers have always harbored a deep fear that the country's Indian majority might one day rise up and kill them in their beds—or, more realistically, trap them in their cities. In 1781, an Indian rebel army, having killed all the Spaniards in a regional capital, laid siege to La Paz for several months. The rebellion was ultimately defeated by troops brought from Buenos Aires, but white Bolivia's fear of a horizon suddenly filling with angry Indians has never fully dissipated, and on April 8, 2000, the Banzer government declared a national state of siege. This meant martial law, and it allowed for mass arrests. The minister who announced the decree also said—in a remark that Bechtel's spokesman in London quickly picked up—that the uprising in Cochabamba was being financed by *narcotraficantes*.

The state of siege, along with the comments about drug traffickers, backfired in Cochabamba. The small coca-leaf farmers, known as *cocaleros*, from the lowlands east of Cochabamba, had indeed joined the protesters, but ordinary Bolivians draw a sharp distinction between *cocaleros* and the wealthy, Army-bribing, customs-bribing *narcotraficantes*. Many of the *cocaleros* are ex-miners. Water is not their issue—they are more concerned about a coca-eradication program sponsored by the United States—but their natural sympathy was with the protesters. And the *cholitas* in their velvet dresses, and the *jubilados* marching in their rumpled fedoras, and the water warriors in their bandannas did not appreciate the suggestion that they were insincere.

The day the state of siege was declared, the main plaza in Cochabamba was filled with people. The Army fired tear gas into the narrow streets of the old city, where protesters had built barricades. Demonstrators blocked all roads into the city; the government cut off power to local radio and television stations. Middle-class matrons took wounded protesters into their homes and beauty salons to nurse them, and bowls of vinegar mixed with water and baking powder—useful for soaking bandannas for protection from tear gas—appeared outside a thousand respectable doorways.

Then, from behind a line of military police, a sharpshooter in civilian clothes fired a rifle into a crowd of unarmed civilians. He was caught on video by a Bolivian television crew, and was later identified as Robinson Iriarte de la Fuente,

a Bolivian Army captain who had been trained in the United States. Víctor Hugo Daza, the seventeen-year-old student, who was on his way home from a part-time job, was, according to eyewitnesses, among the crowd that Iriarte fired into. He was hit in the face and died instantly. Dozens of other people were treated for bullet wounds. By the time Daza had been raised onto his bier and the police and the Army had been repeatedly prevented from seizing his body, there was clearly no future for Aguas del Tunari in Cochabamba.

The company's executives were told that the police could no longer guarantee their safety, and fled Cochabamba for the lowland city of Santa Cruz. They may have noted that, several weeks earlier, Mayor Reyes Villa had left their side. When the people took to the streets en masse, Bombón had assessed their mood and stepped away from Aguas del Tunari so fast that it was as if he had never seen these foreigners before. He was not the only one trying to distance himself; when water privatization collapsed in Cochabamba, the World Bank's representatives insisted that the fiasco had nothing to do with them. The government informed Aguas del Tunari that, because the company had "abandoned" its concession, its contract was revoked. (The company argued that it had not left voluntarily but had been pushed out.) The day after Víctor Hugo Daza's funeral, Óscar Olivera announced the consortium's departure to thousands of exhausted, disbelieving demonstrators from the balcony of his union's offices above the plaza.

The Coordinadora had swept the field so completely that a new national water law was immediately passed—"written from below," as the water-rights campaigners say. Banged together by parliamentarians and water specialists from the Coordinadora who gathered in La Paz, the new law gave legal recognition to *usos y costumbres*—traditional communal practices—by protecting small independent water systems, guaranteeing public consultation on rates, and giving social needs priority over financial goals. This triumph seemed to the water warriors too good to be true, and it was. Laws in Bolivia are implemented—if, indeed, they are ever implemented—only after bylaws have been attached and approved, and the government soon made it clear that, in the case of the new water law, this process could take years.

After the Bechtel consortium's exit, the management of Cochabamba's water was returned to the old public utility known as SEMAPA, which was thoroughly overhauled. The new board of directors included Coordinadora representatives, who vowed to treat water as a "social good" and not as an ordinary commodity. But so far the fervently envisioned transformation of Cochabamba's water system has been fitful at best. Service is still poor. Even within the existing network, many neighborhoods have service only occasionally, and the valley's aquifer continues to sink. Corruption has reportedly been reduced, but an intolerable situation persists: the poor in Cochabamba, those who are not on the network and who have no well, pay ten times as much for their water as the relatively wealthy residents who are hooked up. The new SEMAPA, having driven away international capitalists, desperately needs new capital. Since simply raising water rates across the board is politically impossible, that means new partners or new loans.

The Bolivian government has little interest in seeing the new SEMAPA succeed. Neither is it likely to get much help from the World Bank. In recent years, the Bank has been widely accused of not fulfilling (or even seriously pursuing) its self-proclaimed mission of fighting poverty, and, in response, has changed its description of its mandate, emphasizing "empowerment" and "pro-poor coalitions" over fiscal discipline. What its officials do when confronted by an actual pro-poor coalition is, of course, another matter. In Bolivia, its representatives have never met with the leaders of the Coordinadora.

The Coordinadora's leadership knows that an old-fashioned state-centered solution to Cochabamba's water crisis would be unsatisfactory. The new SEMAPA has not won the hearts of many in Cochabamba—it is, after all, still the water company. But, its supporters point out, at least it is Bolivian.

"The tragedy is that the solution to Cochabamba's water problem has been pushed off for at least another five years," Michael Curtin, a Washington-based executive who became president of Aguas del Tunari after its removal from Cochabamba, told me. Curtin had been involved in the deal as a consultant for International Water, and represents the interests of Bechtel and its partners in talks with the Bolivian government. In November, 2001, after negotiations had deadlocked, the consortium filed a complaint against the Bolivian government in a World Bank trade court in Washington. The complainant was Aguas del Tunari, but the political weight was supplied by Bechtel. The company's claim is being made under a bilateral investment treaty between Bolivia and, of all places, the Netherlands. It seems that International Water, which was originally registered in the Cayman Islands (which has no comparable

investment treaty with Bolivia), moved its registration to Amsterdam soon after the Cochabamba contract was signed. Bechtel and its partners are demanding at least twenty-five million dollars in compensation for the broken contract. While trade-court proceedings are notoriously slow, nobody seems to believe that the Bolivians can afford that kind of money.

Still, the prospect of one more financial burden is the least of the government's worries in connection with what people in Bolivia refer to as the Bechtel case. The truly frightening part is the impact that the Water War has had on the foreign-investment climate. "Right now the situation is 'You can't trust Bolivia,'" Curtin said. The United States Embassy agrees. "It was a pretty significant blow," an Embassy official told me. A subsequent auction to sell the La Paz telephone company drew no bidders at all. The United States has not yet decided, the official added, whether to formally designate the breaking of the contract in Cochabamba an expropriation. That will depend on the settlement, if there is one, that is reached in the case. Having the United States label the episode an expropriation would be a blow to Bolivia's hope of seeing any new foreign investment in the near future.

And yet Jorge Quiroga, Bolivia's new President, is bullish on his country's prospects. Quiroga, who is forty-one, is tall and fair. He graduated in 1981 from the University of Texas, where he studied industrial engineering, and worked for I.B.M. in Austin as a self-described "corporate yuppie" before moving back to Bolivia with his American wife, Virginia. "We will be the vital heart of South America," Quiroga predicted repeatedly when I visited him in his ornate, republican-era office in La Paz. Gas exports will lead the way. A long-awaited transcontinental highway connecting Brazil and Chile will pass through Cochabamba. Fibre-optic cables will be laid. One of the biggest things delaying Bolivia's economic progress? The hypocrisy of the United States and Europe on free trade. "Bolivia is the most open economy in Latin America," Quiroga said. Meanwhile, American and European farm subsidies, along with tariffs on textiles and agricultural products, make it impossible for Bolivia to sell its exports in the Global North. "They tell us to be competitive while tying our arms behind our backs."

When I asked him about the Water War, he looked uncomfortable. "A lot of things certainly could have been different along the way, from a lot of different actors," he said. But, like Michael Curtin, he was certain of one point: "The net effect is that we have a city today with no resolution to the water problem." In the end, he said, it will be "necessary to bring in private investment to develop the water."

Quiroga insists that the World Bank and the I.M.F. are not running Bolivia. If it sometimes looks as if they are, that is because technocrats in the government (he has been one) use what he calls "the I.M.F. blackmail" on politicians—warning them that loans will stop if hard fiscal choices are not made, and thus giving them some cover, when in truth there have been no direct threats from the Bank or the I.M.F.

The World Bank now requires all its client governments to submit a "poverty-reduction strategy," and Quiroga gave me a sketch of Bolivia's. He had recently been to a meeting of the World Economic Forum—he goes almost every year—and his remarks struck me as having an up-to-the-minute cosmopolitan gloss. The Bolivian state has "socialized" its spending away from production toward education and health, he said, because that's the one sure route to real development. Quiroga sighed. "But we'll still be talking about poverty reduction twenty-five years from now, when one of my daughters is sitting here being interviewed."

Some things, certainly, never change. Last month, Captain Robinson Iriarte was acquitted of all responsibility for the death of young Víctor Hugo Daza. The case had been transferred from the civilian criminal-justice system—no judge was willing to hear it—to a military tribunal, which has final jurisdiction over the cases it hears. Upon his acquittal, Iriarte was promoted to the rank of major.

Claudia Vargas, a lawyer in La Paz who worked for Bolivia's fledgling utility-regulation body, travelled often to Cochabamba. The leaders of the new SEMAPA, she told me, were unnecessarily preoccupied with the idea that the central government was going to make another attempt to privatize the city's water. "I tell them, 'Don't worry. Nobody is going to try that again for a long time.' Really, they have a lot of problems in Cochabamba now, and that is not one of them."

Vargas is young and chic, and she had recently finished a postgraduate course in development administration in thoroughly deregulated Britain. She nonetheless has an unfashionable enthusiasm for regulation. It's still poorly understood in Bolivia, she thinks, and it got a very bad name in Cochabamba when her boss (now retired) appeared to

skill both for the government and for Bechtel's consortium, which he was supposed to regulate. Vargas was appalled both by the Aguas del Tunari contract and by the consortium's performance. She thinks that the members of the Coordinadora "are still the good guys in the film," but that some of them are, at best, misguided. "In the name of *usos y costumbres*, a lot of terrible things are done." Water-truck operators, for instance, "drill polluted water and sell it. They waste a lot of water. But the world is changing. Within five years, they will be charged for water—and they will be regulated."

Trying to find a path outside the binary of state or market control, the Coordinadora has no model. Its leaders vow to treat water as a "human right," and yet they know it cannot be provided free. They also know that their water company—and Bolivia generally—cannot survive without foreign investment. Meanwhile, Manfred Reyes Villa has started making his move to regain control of SEMAPA. In elections to be held soon, his party will run candidates for all the seats on the water company's board that are now occupied by the Coordinadora. Their campaigns will be far more extravagant and crowd-pleasing than anything Óscar Olivera and his colleagues are likely to stage. Bombón knows his constituency. He has also announced his candidacy for President.

The juggernaut of water privatization has hardly slowed. Bechtel, through International Water, has closed two major water deals in the past year, winning a thirty-year concession for the port city of Guayaquil, in Ecuador, and a controlling stake in the water company of Tallinn, the capital of Estonia. Many water privatizations seem likely to deliver eventually on their backers' promises of improved service. In Chile, fierce opposition to concessions has been overcome in several cities by innovative price structures, including water vouchers, that assure poor residents of an adequate supply of clean water.

At the same time, water privatizations have been backfiring all over Latin America. In Panama, popular anger about an attempted privatization helped cost the President his bid for reelection. Vivendi, the French multinational, had its thirty-year water contract with the Argentine province of Tucumán terminated after two years because of alleged poor performance. Major water privatizations in Lima and Rio de Janeiro have had to be cancelled because of popular opposition. Trinidad recently allowed a management contract with a British water giant to expire. Protests against water privatization have also erupted in Indonesia, Pakistan, India, South Africa, Poland, and Hungary.

One large-scale Bolivian water privatization that the World Bank still points to with pride took place a few years ago in La Paz. The concession was awarded to Suez, which honored its commitment to expand the La Paz water network to several poor neighborhoods just outside the city. This area, known as El Alto, is home to nearly three quarters of a million people, virtually all of them Indians recently arrived from the countryside. But a problem emerged. It seemed that the people in El Alto weren't using enough water. Accustomed to Andean peasant life, they were extremely careful with water, never wasting a drop, and they continued to be so even after they had taps installed in their homes. This was good conservation, but it was bad for Suez's bottom line, and the corporation was disappointed in the return on its investment. After it appeared to raise its rates, which were pegged to the dollar, when the local currency was devalued the general happiness with the contract evaporated and residents began to complain about the service. When I was in La Paz, the people of El Alto were marching against Suez. When I asked a World Bank official about the situation, she agreed that there was a basic problem: those Indians needed to learn to use more water. ♦