A LOOK AT NEOLIBERALISM IN BOLIVIA: THE WATER WAR TO THE PRESENT

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In April of 2000, in the city of Cochabamba, Bolivia, mass protests over the privatization of water resources shook the very fabric of Bolivian society and politics. Behind this revolt that has come to be known as the Water War lays an omnipresent obstacle to Bolivia's stability and development: neoliberalism. Neoliberalism is an economic model that came about in the 1980's and sought to deregulate state run economies and open the market up to foreign investment (Dangl 2007, 25). According to Benjamin Dangl (2007, 7), the author of *The Price of Fire*, "Bolivia has been a longtime lab rat for neoliberalism, an economic system that promised increased freedoms, better standards of living and economic prosperity, but in many cases resulted in increased poverty and weakened public services." Neoliberalsim, in combination with weak democratic institutions, became a catalyst for the events that unfolded in the past decade in Bolivia. To better understand the effects of neoliberalism, it is important to investigate the causes and results of the Water War as one of the most vital case studies of neoliberal policies and the effect weak democratic institutions had on the political culture in Bolivia. The Water War, which virtually took over the city of Cochabamba, not only changed the politics of water distribution but also set the stage for future demonstrations and the democratic revolution that would change the political system in Bolivia and force a greater level of government accountability to the people.

Bolivia has a long history with the privatization of industry that certainly predates the events that took place in Cochabamba in 2000. John Perkins, a self-proclaimed "economic hit man" and author of two books on international economic deceit, declares that in the 1970s, "Bolivia was ripe for privatization" (Perkins 2007, 95). It was near this time frame that Bolivia instituted one of the IMF's first Structural Adjustment Programs (SAP) (Perkins 2007, 96). Perkins claims that Bolivia's elite class "had a long history of yielding to and prospering from foreign mining companies; they had incurred excessive debts; and, feeling vulnerable to neighboring countries, their traditional enemies, as well as to their own indigenous populations, they desired to secure Washington's promise of protection, and grow rich in the process" (Perkins 2007,

96). This is evident in the 1980's, when the vast mines of the Bolivian countryside, as well as large reserves of petroleum, were privatized (Lewis and Olivera 2004, 14). Later, in 1994, Bolivian President Gonzalo Sanchez de Lozada passed the Law of Capitalization, which privatized telephone services, airlines, and the railways, weakening Bolivia's Gross Domestic Product as profits became outsourced to wealthy multinational corporations (Dangl 2007, 120). While these newly privatized industries became less responsible to the growing economic concerns including unemployment and low tax revenues, the Bolivian public was never able to truly influence national politics and end the injustice served by policies of privatization.

Opening the door for the policies of neoliberalism has been the weak history of democracy in Bolivia in which democratic rule did not justly represent the people of Bolivia. Since independence in 1825, Bolivia has seen varying forms of democratic and military rule with nearly 200 coups in nearly 200 years of independence. Following a democratic revolution in 1952, coups in 1964 and 1971 installed military regimes, and it wasn't until 1985 that democracy finally returned to Bolivia (BBC News). In a country that changes political leaders on a constant basis and has only practiced democracy for the past twenty-four years, democratic institutions such as the legislative, executive, and judicial branches are, and faith in these institutions is, weak. In her writing of *Democratic Consolidation in Latin America?*, Jennifer Holmes assesses the "democratic health" of several Latin American nations including Bolivia (Holmes, Millett and Perez 2008, 5). She finds that Bolivia is one of the most corrupt nations in Latin America and that Bolivia also exhibits low levels of political rights and civil liberties (Holmes, Millett and Perez 2008, 12). Her use of varying statistics also indicates that only 59% of Bolivians feel there is a need for democracy in order to develop, 62% support a democratic government, and only 39% of Bolivians support their form of democracy (Holmes, Millett and Perez 2008, 12). These numbers show the dissatisfaction and lack of faith Bolivians have with democratic governance, as well as the poor state of democratic governance that is in place in Bolivia. Holmes also tackles development and economic concerns in Latin America, finding that Bolivia's Gross Domestic Product of $4,400 is one of the lowest in Latin America and that there is a large gap between the nation's wealthy and poor (Holmes, Millett and Perez 2008, 15). Using this data, it is easy to conclude that Bolivia's system of governance is corrupt, ineffective, and largely distrusted by the Bolivian populace. This inefficient governance and the lack of faith in elected officials have been important in recent events in Bolivia because these aspects have factored into Bolivia's adherence to demands from international organizations and the United States to implement neoliberal reforms in order to develop.

It wasn't until 1999, when the World Bank and International Development Bank issued reports regarding the privatization of water making it a pre-condition for receiving development loans, that politics began to change (Dangl 2007, 59). As Oscar Olivera, one of the organizers of the Water War and the author of *Cochabamba! Water War in Bolivia* points out, the Bolivian

populace could not possibly have handled a major increase in service rates that would have accompanied the privatization of water due to the low wages that most Bolivians make (Lewis and Olivera 2004, 8). The Bolivian government, under the leadership of Hugo Banzer, quickly set out to appease the international lenders and create policies that could allow for the privatization of key economic sectors. The result was Law 2029, passed in October of 1999, which attempted to govern drinking water and sanitation (Dangl 2007, 59). This law greatly changed the regulation of water that was in place at the time as water to rural regions was cut off, small neighborhood water systems were made illegal, private wells were put under the jurisdiction of the owner of the water distribution system, and collecting rain water was prohibited (Lewis and Olivera 2004, 9).

Law 2029 set the stage for a 40 year contract with an international consortium of water companies known as *Aguas del Tunari* over the exclusive rights to the water system in Cochabamba (Lewis and Olivera 2004, 9). This law, which superseded any national law, was given to a questionable multinational corporation that was eventually tied to a holding company of the U.S. corporation Bechtel (Dangl 2007, 61). This contract also specified that the rates would increase based on the consumer price index in the United States, a standard most Bolivians could never have possibly met (Lewis and Olivera 2004, 10). Once the contract was in effect, prices skyrocketed, even as running water was only available for around two hours a day (Lewis and Olivera 2004, 10).

In response, several Bolivians began to organize a political opposition to the privatization of water. The local workers union, *Fabriles*, joined with a group called *Pueblo en Marche* (*People on the Move*) and another group called *CODEAC* (*Committee in Defense of Water and the Family Economy*) to form a new movement known as the *Coordinadora de Defensa del Agua y la Vida* (*Coalition in Defense of Water and Life*), or simply the *Coordinadora* (Lewis and Olivera 2004, 27). Initial meetings mainly concerned peasants who felt neglected by the current policies, but over time, as the populace became angered by the new contract with *Aguas del Tunari*, the popularity and influence of the *Coordinadora* grew (Lewis and Olivera 2004, 30). Mobilizations such as roadblocks and workers strikes took place in the winter months of 1999-2000, and the government decided to hold talks with the opposition (Lewis and Olivera 2004, 31). The result of the talks was a three month grace period in which the government was to attempt to meet the demands of the opposition for cheaper and fairer water distribution (Lewis and Olivera 2004, 32).

Even after this initial agreement was reached, the opposition planned a peaceful demonstration to take place in Cochabamba on February 4, 2000 to prove that the fight was not over, yet not intended to provoke violence (Dangl 2007, 64). Instead, the protests turned ugly for three days as the police from the capitol city, La Paz, fought against many Bolivians who took to the streets and formed blockades until a peace agreement was reached (Lewis and Olivera 2004, 36).

From this point, it became evident to the parties involved that the government was not placing pressure on *Aguas del Tunari*, who was also failing to meet the demands of the opposition (Lewis and Olivera 2004, 37). As the initial date set for meeting the demands of the protesters, April 4, came closer, a new consensus was made by the opposition that it wasn't sufficient to simply have demands met, but rather *Aguas del Tunari* needed to be kicked out of Bolivia for failing to even attempt to fix the problems that it had caused (Lewis and Olivera 2004, 37).

So, on April 4, the opposition set up roadblocks and worker strikes in Cochabamba in protest of the current situation (Dangl 2007, 65). This time, the national police from La Paz was not mobilized and the army did not intervene, leaving the opposition alone on the streets (Lewis and Olivera 2004, 37). Tens of thousands of civilians mobilized and demanded change, threatening to take over the local offices of *Aguas del Tunari* (Lewis and Olivera 2004, 40). The security forces began to let their presence be known while shooting at rural protesters and firing tear gas into crowds in the urban areas of Cochabamba (Dangly 2007, 66). The scene grew more violent as hundreds were injured in conflict in the city, and there was the tragic death of a 17-year old pedestrian at the hands of a U.S. trained sniper (Dangl 2007, 66). As the leaders of the opposition attempted to negotiate with the government, they were arrested for treason, only further infuriating the protesters who refused to go home (Lewis and Olivera 2004, 42). Eventually, on April 10, negotiations were revived due to pressure on both the government and the opposition to end the riots taking place within the city. In the end, after hours of tedious negotiations, the *Coordinadoa* was given the role of overseer of the formation of a municipal-run water system that would attempt to be more efficient and less costly and the contract with *Aguas del Tunari* was terminated (Lewis and Olivera 2004, 46). The Water War was over.

The political ramifications of this conflict have been widespread. As far as the water distribution in Cochabamba, the violence was over, a new government-run company known as *SEMAPA* (*Municipal Services for Potable Water in Cochabamba*) took over the water distribution, rates dropped, the efficiency of water systems was slightly increased, and the political tensions decreased. This being said, the transition to a public run company has not been a smooth one, as there are still problems in service efficiency due to a lack of funding (Dangl 2007, 68). As for Bechtel, the corporation that was ultimately kicked out of Cochabamba, it filed a $50 million lawsuit to recover losses incurred by Bolivia's cancellation of the water contract but dropped the charges after international pressure was applied (Dangl 2007, 68).

The Water War not only solved these issues, but it represented a shift in the beliefs of the people. Near the conclusion of the Water War, one pedestrian asked Oscar Olivera, one of the primary leaders of the Coordinadora, "What have we really gained?" (Lewis and Olivera 2004, 48). The answer to this question is a complex one. Yes, the Cochabambinos had gained the right to drinking water, but other social problems such as poverty, unemployment and corruption re-

mained present. The answer to this question seems to be that the real gain of the Water War came in a less tangible form. The Bolivian people, through their political will, changed the rules of governance, forcing an increased level of government accountability. No longer would elected officials be able to create policies without the fear of public backlash that could destabilize the political system. Before the war, neoliberal policies had been present and the people may have been upset by unfair practices, but the people had yet to shake the foundations of privatization and force political powers to recognize the will of the people. Now, the precedent was set for the people to be heard and to force the change of policies that were inefficient and potentially harmful towards a majority of Bolivian people.

For a while, tensions were put to a rest and a new president, Gonzalo Sanchez de Lozada (Goni), took office in 2002. Opposition movements to neoliberal policies had gained substantial support, as is evident in the 2002 presidential election in which indigenous leader and former cocalero, Evo Morales, finished a close second to Goni in a runoff election (Sidorenko). Evo, an advocate for the end of neoliberal policies, was a participant in the Water War and his second place finish showed that anti-neoliberal policies had gained considerable support. It was in the early months of 2003 that tensions ran high and the precedent of popular protests seen in the Water War would be influential in national politics once again. It was February 11 when protests broke out between a striking police force and the national army in the Presidential Palace in La Paz (Lewis and Olivera 2004, 168). The protests were directed at an IMF policy that called for an increased income tax in order to create greater state revenue and decrease a large budget deficit held by the federal government (Dangl 2007, 77). The police force was already striking, demanding higher wages to deal with inflation, when the tax was formally announced. There are varying accounts as to what really happened, but it is believed that students from the region, angry at the new tax, began throwing rocks into the Presidential Palace with support from the police, who were bunkered down in their barracks on the other side of the Presidential Plaza (Dangl 2007, 85). In response, the army fired tear gas into the police barracks, and chaos ensued (Dangl 2007, 85). For the next two days, there was constant gunfire near the Plaza that ended with thirty one dead, forcing the president, Goni, to rescind the tax and appease the Bolivian populace (Lewis and Olivera 2004, 169).

This time, tensions did not die down so easily. It was several months later, on September 19, 2003, that the Gas War broke out (Dangl 2007, 118). The conflict took place nationwide, but broke out, once again, in the city of Cochabamba over the proposed plan to export gas at low rates to foreign countries and corporations (Lewis and Olivera 2004, 170). This policy caused a great deal of dissatisfaction to the Bolivian people, who see their large gas reserves as their ticket to development, and the demand for nationalization intensified (Dangl 2007, 118). Over the next few weeks, protests were rampant and conflict between the government and the populace was everywhere. The conflict culminated a month later in the city of El Alto, on the outskirts of La

Paz, where a near civil war broke out (Dangl 2007, 131). After days of conflict, blockades, and protests, the president, Goni, was forced to resign due to demands of the protesters nationwide and a lack of political support from the elites (Lewis and Olivera 2004, 170). In the end, 67 Bolivians had died in the Gas War and the tensions remained high. Vice President Carlos Mesa took office with the promise of his resignation calming the protests temporarily.

At first glance, it appears that the conflicts over the IMF tax and the Gas War were isolated incidents regarding different policies imposed on Bolivians. The reality of the situation seems that while the Water War, the IMF conflict, and the Gas War are separate, they are connected by the precedent that was set during the Water War, in which the people themselves had forced the government to change some sort of neoliberal policy. In both the Water War and Gas War, the policy was regarding privatization of key sectors of Bolivian industry, and the IMF conflict regarded the policy of increasing taxes to reduce deficits. It certainly is possible that without the precedent of the Water War, conflict would have eventually erupted, but the Water War laid the framework for a people's revolution against what they saw to be unjust policies. It was only after the Water War that the people understood exactly how to disrupt government politics and gained the confidence that their voices would be heard.

The struggle was not over, as President Carlos Mesa had yet to give up power and there was great uncertainty regarding the future of Bolivian politics and life. In the later months of 2003 leading into 2004, President Mesa attempted to rule and solve the issues regarding gas exportation, but he eventually resigned due to pressures for him to leave office (BBC News). In his place, Supreme Court Justice Eduardo Rodriguez took the office of the President, until new elections could be held as was required by the constitution in such circumstances (BBC News). At this point, there was a great uncertainty in politics, but as elections came closer, the people had the opportunity to select the leader they felt would guide them out of chaos and end the political revolution. In the new elections, Evo Morales, the populist leader, ran against U.S. educated Jorge Quiroga, amongst several other candidates (Saavedra). To no surprise, Mr. Morales won the election under a socialist platform that promised to govern for the benefit of the masses (Saavedra). The people had done all they could. Popular unrest had forced the government's hand and mandated a democratic transition to a new government that had promised to fix the wrongs that neoliberalism had helped to create in the past.

This election signified the completion of a revolution that was years in the making and was part of a change in public opinion across Latin America. According to a PBS Frontline report, "Since 2000, leftist candidates have swept into power in two-thirds of Latin America's countries" (Talbot). Jim Shultz, executive director of Democracy Center, states, "The bottom line is that Latin America is in open rebellion of the economic policies of the Washington consensus… Sometimes it happens in the ballot box. Sometimes it happens on the street, like in Bolivia. It is,

in essence, the same rebellion" (Talbot). Mr. Shultz brings up an excellent point when he states that this rebellion other the movements across Latin America, are rooted in the economic policies of the Washington consensus. The Center for International Development at Harvard University claims, "The phrase 'Washington Consensus' is today a very popular and often pilloried term in debates about trade and development. It is often seen as synonymous with 'neoliberalism'" (Center for International Development at Harvard University). It has become a trend not only in Bolivia that neoliberal policies continue to create a greater economic divide and force the majority of citizens to find new ways, and leaders, to gain a voice in politics.

As it is seen in Bolivia, the democratic transition was rooted in policies of inequality and exploitation; the policies of neoliberalism. When the policies of neoliberalism were combined with the weak and untrustworthy democratic institutions in place, the Bolivian people decided to take action to change the politics that they saw as being ineffective. These policies created enough economic disparity and exploitation that the people became disgusted by what they saw in the governments that they had put in power. In fact, the percent of Bolivians living under one U.S. dollar a day had shown a steady increase throughout the 1990's and into the turn of the new millennium (Index Mundi). When initial complaints and protests were ignored by leaders who were supposed to be accountable to the people and failed to cause change, the people needed to find new ways to alter policy. It was at this point, when the initial attempts at reform had failed, that the people had no other choice than to demand change using drastic measures. These circumstances necessitated an incident to draw the government's attention - an incident like the Water War.

While it may seem that the Water War was a single, isolated incident, further examination reveals that it was the policies of neoliberalism in combination with the weak and unrepresentative set of democratic institutions in place in Bolivia that had built up pressure on the people to fight their way out of the economic hardships that a large proportion of the Bolivian population faced. It was the past privatization of airlines, railways, mines and petroleum that made the people realize they needed to draw the line and not allow their government, which had grown irresponsible to the desires of the populace, to give away water, a resource many Bolivians saw as a natural right. This is a view backed by scholar Marta Lagos, who claims, "The meaning of democracy (in Latin America) comprises three elements: The demand for liberty; the power of elections; and the right to satisfaction of basic needs" (Lagos 2008). This quote shows that water, a basic need for survival, is seen in Bolivia and across Latin America as a part of democracy that is guaranteed to the people and cannot be taken away because doing so would be considered a social injustice.

Today, the effects of the Water War can be seen in many indirect forms. As one may suspect, street protests, blockades, and popular marches are very prevalent in Bolivian society.

From all the major cities of La Paz, Santa Cruz, and Cochabamba to all of the smaller urban areas of Oruro, Potosi, and Sucre, Bolivians continue to mobilize. In Bolivia, it seems the people have a unique definition and understanding of what democracy is. In previous years, democracy seemed to function as it does in the United States, where the people elect representatives and put faith in the judgment of these elected officials. Years of dissatisfaction over policies, like neoliberalism and privatization, built up anger and dissatisfaction among Bolivians, resulting in the revolution that ousted Gonzalo Sanchez de Lozada. For the people, the transition is not over and they continue to place pressure on the government by means of popular demonstrations. The Bolivian people, after years of failure, have little faith in the government institutions and, as a result, have taken a much more active voice in governing and developing the nation. It may not have been the Water War that generated this culture of protest, but it was the Water War that gave the people the confidence in the collective voice that has been used to insinuate change and foment a revolution.

While some may feel the revolution is not over, the people have done all they can in forcing change and electing Evo Morales, a leader who promises to do all he can to help Bolivia. Mr. Morales, who ran under a socialist platform promising to address various social problems, has changed politics in Bolivia since taking office in 2005. There is a feeling that while not all agree with how Evo approaches certain policies, he is attempting to help most Bolivians. He has taken steps to end neoliberal policies in Bolivia, going so far as to say, “The pillaging of our resources by transnational companies is over. From this day forward, all hydrocarbons in the country are nationalized” (Dvoskin). He has also been influential in drafting a new constitution and fighting against coca eradication, a policy endorsed by the United States. Evo, who was involved in the Water War, has been the most tangible result of the popular revolution that gained momentum in the spring of 2000, but only time will tell if he can solve the nation’s plethora of problems.

As we have seen, the Cochabamba Water War, rooted in the policies of neoliberalism and privatization, in culmination with an existing set of weak governance, has changed Bolivia’s political culture. A long history of privatization and economic exploitation had taken its toll on Bolivia and the privatization of water was the spark that ignited a revolution. Once the Water War took place, the framework for a popular revolution was laid and a struggle between the people and the government ensued. Only time will tell if Evo Morales, who holds the hopes and desires of the Bolivian people in his hands, will be able to change policies for the betterment of Bolivia. In the end, the Water War not only changed policies regarding water, but it also helped create a culture of popular struggle against an oppressive government, leading to conflict with the IMF, the Gas War, and the election of Evo Morales.

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