

“The Public Eye Awards”

Nominations form

Nominated company (name):

The Bechtel Corporation

Short description of the company

Bechtel is an enormous, \$14 billion per year, privately held engineering corporation with involvement in infrastructure projects worldwide. Headed by Riley Bechtel, the founder's great-grandson, and based in San Francisco, Bechtel is notorious for its close ties to the US Republican party (both George Shultz and Caspar Weinberger have been major Bechtel officials). In 2003 Bechtel was awarded a \$630 million dollar, no-bid contract by the Bush Administration for reconstruction projects in Iraq. In the previous four years Bechtel has contributed more than \$1.3 million dollars to US federal candidates

Nominated for the following award categories:

- X environment
- X human rights
- O labour rights
- O taxes
- X special prize: Greed, Manipulation and Lies
(name a award category in the style of the above)

More than one category can be chosen, if a company has acted irresponsibly in all these areas or if it cannot be assigned to just one category. In this case the organising committee will decide the final category.

Reasons for nomination:

Under this heading there should be presented as much information as possible on the irresponsible behaviour of the nominated company – ideally covering each of the points below, including references or sources. Please use a separate page for each case example of the company. Additional supporting material such as reports or newspaper articles, and also film material, is welcomed.

In 1997 the World Bank coerced Bolivia, South America's poorest nation, into privatizing the public water system of its third largest city, Cochabamba. In 1999 a Bechtel subsidiary (55% owned and controlled by Bechtel at the time) entered into a one-bidder process with the government, winning a forty year contract giving it control of Cochabamba's water. That contract included a provision guaranteeing Bechtel an exorbitant average guaranteed return on investment of 16% per year every year for the life of the contract.

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Within just a few months of taking over Cochabamba's water, in January 2000, Bechtel raised water rates on some of the continent's poorest families by as much as 100-200%. People earning a minimum wage of \$60 per month were handed water bills equal to 25% of their monthly income.

With leadership by labor, environmental and human rights leaders, the people of Cochabamba led a series of three dramatic and courageous region-wide protests against Bechtel and its rate hikes, demanding that the corporation leave. Bechtel refused. In April 2000 the citizens of Cochabamba shut down their city of 600,000 with a week-long general strike, in response to which the Bolivian government declared a state of martial law, suspending constitutional rights. The city was militarized. Television and radio station broadcasts were cutoff by the government. Protest leaders were arrested. More than 100 people were injured and one 17-year-old boy was killed by a US-trained military sharpshooter.

In the midst of this repression aimed at protecting their water contract Bechtel officials watched these events on television from the comfort of a five star hotel room. Rather than act to help stop the violence they sent faxes to local television stations declaring their intention to maintain control of the city's water.

The government finally realized that it had no choice but to evict Bechtel from the country and return the water to public hands. During their brief tenure running Cochabamba's water system and on their way out the door Bechtel officials spent down the cash assets left from the previous public water company, took the computers and records with them, and left behind huge unpaid bills to Bolivian vendors.

In November 2001 Bechtel filed a \$25 million legal action against the Bolivian people in a secretive World Bank trade court, the International Centre for the Settlement of Investment Disputes (ICSID). Bechtel is seeking not only recovery of their costs but millions in unearned profits. That case is currently pending before ICSID.

The case of Bechtel versus the poor of Bolivia has become a global symbol of the very worst in corporate behavior, a combination of greed, manipulation, and lying about the facts that has done more than any other single event to put a public light on the perils of privatizing essential natural resources and services. As Maude Barlow of the Council of Canadians has noted, "The Bolivian water revolt has had an enormous impact on the global fight for water rights."

General information on the case and date or time period

In 1997 the World Bank made privatization of the Cochabamba water system a condition of a loan to the Bolivian government. Bechtel signed its water contract with the Bolivian government in September 1999. Bechtel imposed its steep hikes in water rates in January 2000. That same month the people of Cochabamba staged a three-day general strike and highway blockade, which they did again for two days in February. During the first week of April 2000, following Bechtel's refusal to leave, the people of Cochabamba launched their week-long general strike and highway

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blockade, followed by the government's declaration of martial law and military occupation of the city. Bechtel left Bolivia in April 2000.

In November 2001 Bechtel filed its \$25 million demand against Bolivia with the World Bank. In July 2002 the San Francisco Board of Supervisors (the local government authority where Bechtel is headquartered) approved a resolution calling on Bechtel to drop its case against Bolivia. In August 2002 a Democracy Center-led coalition of more than 300 citizen groups from 43 different countries filed an International Citizen's Petition with the World Bank demanding that the Bechtel vs. Bolivia case be opened to public participation. The case and that demand are still pending, with key decisions expected in the coming months

Characteristics of the company's irresponsible behaviour

In its actions in Bolivia Bechtel demonstrated three of the most damaging and desperate forms of corporate bad behavior – greed, manipulation and lying.

Greed: Bolivia is the poorest nation in South America. Bechtel is one of the world's most wealthy corporations. In its demand for exorbitant profits Bechtel imposed on some of the poorest families in the world water rate hikes so extreme that they had to choose between water and food. One woman that I interviewed at the time, Tanya Paredes, a knitter of baby clothes, explained that her \$15 per month price hike was equal to what it cost her to feed her family for a third of the month.

Bechtel has revealed in writing (in an email to the Democracy Center) that it knew its water price hikes were likely to cause the very type of social unrest that took place, but they imposed their price hikes regardless. In its current \$25 million legal action against Bolivia Bechtel has taken that greed only further. For Bechtel \$25 million represents the average earnings that the corporation takes in on any day before lunch. For Bolivia that translates into the annual cost of hiring 3,000 rural doctors or 12,000 public school teachers.

Manipulation: When it came to Bolivia Bechtel immediately sought to manipulate the local political system for its private gain. While it was preparing for its negotiations with the Bolivian government Bechtel sold a minority share in its Bolivian subsidiary to one of the founders and leaders of one of the major political parties in Bolivia's governing coalition.

At the end of 1999, as it anticipated the social unrest its water price hikes was about to provoke, Bechtel contemplated its future needs for legal action against Bolivia. Aiming to secure access to the most favorable legal venue possible, the World Bank's secretive trade court (ICSID), Bechtel quietly transferred the corporate registration of its Bolivian subsidiary from a post office box in the Cayman Islands to a post office box in Amsterdam. By masquerading as a Dutch company (Bechtel's Bolivian water company has neither Dutch employees nor Dutch investors) Bechtel is seeking coverage under a bilateral trade agreement between Bolivia and Holland which opens the door to legal action before the World Bank.

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In 2002, following the filing by the Democracy Center and others of the International Citizen's Petition demanding that the World Bank open up the case, the President of Bechtel's Bolivian water company contacted the US head of a US-Bolivia orphanage project in Cochabamba. I was the Bolivian President of that Bolivian orphanage at the time. Bechtel's representative made an offer to my US counterpart to make the orphanage a recipient of a portion of any award it received from its legal action against Bolivia, followed by the mention of my name and a clear suggestion that Bechtel was seeking some sort of quid pro quo for my silence. The offer was quickly rejected.

Lies: Throughout Bechtel's failed Bolivia water takeover and to this current day Bechtel officials have lied publicly and documentably about the severity of their price hikes. For example, in a public statement in January 2002 a spokeswoman for Riley Bechtel declared, "For the poorest people in Cochabamba rates went up little, barely 10 percent." The corporation has similarly declared to the media and others that the average price increase was 35%. The Democracy Center has carefully documented the gross inaccuracy of these claims using actual before and after water bills from Bechtel's company as well as a computer analysis of aggregate increases using Bechtel's own data. These are posted in full at:

<http://www.democracyctr.org/bechtel/waterbills/index.htm>.

Similarly, Bechtel has consistently claimed it is merely a minority shareholder in the Bolivian company and should not be held accountable for what happened in Cochabamba. The Democracy Center has also documented, using Bechtel's own public records and statements, that at the time the Bolivian company negotiated its contract with Bolivia and set the rate hikes in motion Bechtel held a controlling majority ownership stake (55%) in the company.

Consequences

For the people of Cochabamba Bolivia, Bechtel's actions had consequences that were severe. Thousands of poor families went through the trauma of facing water bills they could not afford and threats from Bechtel to cutoff their water if they did not pay. The people of Cochabamba faced months of social disruption and economic loss as they were forced to take to the streets to demand something simple, water they could afford. Many others paid a price far higher still. Hundreds were shot at and injured when the Bolivian government militarized the city on behalf of Bechtel's interests. A 17-year-old boy, Victor Hugo Daza, paid the supreme sacrifice when he received a gunshot through his face.

For the world at large Bechtel's actions revealed some essential truths about water privatization and the larger issues of corporate globalization. We were given a hard but clear lesson in the willingness of governments to turn the bullet on their own poor in order to serve a corporate interest. We saw how Bechtel was able to manipulate, behind closed doors, the globalization economic game, from its secret negotiations with the Bolivian government to its efforts to gain access to the World Bank's secret trade court. However, we also saw how some of the most humble people in the world were able to stop Bechtel through enormous courage and commitment, an

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event that has inspired many thousands worldwide.

Demands made to the company

During the water revolt in 2000 the first demand made to Bechtel was for a permanent rollback in water rates, which the company refused (the government forced the company to cede to a temporary rate rollback of a few months). The people of Cochabamba then changed their demand to Bechtel's departure and the return of the water company to public hands. Following Bechtel filing its legal action against Bolivia the public demands have been two fold – to Bechtel to drop its action and to the World Bank trade tribunal to open up the case to public and media participation and scrutiny.

Sources / references

During the Bolivian water revolt and since The Democracy Center has painstakingly and meticulously documented the facts of this case, for both its own writings and as a well-used reference source for other journalists and researchers. The Democracy Center was the first to discover and document that Bechtel was the parent of the Bolivian water company, a fact that Bechtel has taken great efforts to hide. The Democracy Center also carefully documented, as described above, the severity and actual data concerning Bechtel's water price hikes. The Democracy Center's reporting on the Bechtel case shared top honors from Project Censored in 2001.

The following sources document this case in great detail:

Book Chapters (attached):

“The Water is Ours, Dammit!” by Jim Shultz, from *We Are Everywhere: The Irresistible Rise Of Global Anticapitalism* Verso Press, UK (2003)

“The Right to Water - Fulfilling the Promise” by Jim Shultz, from the forthcoming *Economic, Social and Cultural Rights in Latin America: From Theory to Practice*

Web Links:

“Leasing the Rain”, complete transcript of a PBS-New Yorker magazine documentary film on the Bolivian water revolt aired July 2002.
http://www.pbs.org/now/transcript/transcript125_full.html

Riley Bechtel profile in New Internationalist Magazine (UK)
by Jim Shultz, April 2002
http://www.findarticles.com/p/articles/mi_m0JQP/is_2002_April/ai_85472926

“Bechtel Perspective on the Aguas del Tunari Water Concession in Cochabamba, Bolivia (8/1/2002), from the Bechtel Corporation
<http://www.bechtel.com/newsarticles/65.asp>

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“Bechtel Vs. Bolivia: The Bolivian Water Revolt”

A comprehensive set of documentation materials including original sources refuting Bechtel’s claims, from The Democracy Center

<http://www.democracyctr.org/bechtel/index.htm>

Nomination submitted by

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